EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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D 8523A

ALUMINIUM
Greek recycling schemes succeed
Page 10

World News

Abu Dhabi ruler takes charge of BCCI inquiry

A key Abu Dhabi government department, headed by an official singled out in a report to the Bank of England as having knowledge of the fraud more than 18 months ago, was behind the detention of 36 senior executives of the Bank of Credit and Commerce International at the weekend.

According to one source, Abu Dhabi's ruler has taken personal control of the handling of the BCCI affair. Page 14; Elder statesman faces grilling, Page 6

Closer nuclear watch
Governors of the International Atomic Energy Agency, meeting today in Vienna, are expected to recommend more intrusive inspection of countries which signed the Nuclear Non-Proliferation Treaty. Page 14

Republic's plea to EC
Bosnia-Hercegovina will press the European Community to send monitors to what is seen as one of Yugoslavia's most potentially volatile republics. Page 14

Albanians on trial
Some 500 Albanian soldiers who joined a mass exodus of would-be refugees to Italy last month went on trial on charges of desertion.

Faction deaths rise
Black faction fighting raged in Soweto, near Johannesburg, as gangs with guns and knives killed six people, raising the death toll since Sunday to 78. Picture, page 14

Iraqis accused
Iraqi troops crossed the border into northern Kuwait and killed a security forces officer, Kuwaiti sources reported.

IRA suspect extradited
The Dutch Supreme Court upheld the extradition to Germany of IRA suspect Donna Maguire following her acquittal in the mistaken-identity murders of two Australian tourists in the Netherlands.

Journalist's death riddle
A Chilean judge's finding that British journalist Jonathan Moyle was murdered has led to demands for an inquiry. Suicide was the original police theory after he was found hanging in his Santiago hotel bedroom. Page 4

Timeshare promise
EC consumer affairs commissioner Karel Van Miert promised tough new laws to clamp down on timeshare operators who lull holidaymakers into expensive contracts.

Bomb at Manila rally
A homemade bomb exploded during a Manila rally organised by President Corazon Aquino to persuade lawmakers to ratify a US military base treaty. Six people were reported hurt. Plebiscite proposed, page 5

Euthanasia toll
Euthanasia, long tolerated in the Netherlands, now accounts for nearly 2 per cent of all Dutch deaths, according to the first authoritative study.

Korean parties merge
South Korea's two main opposition parties are to merge in an attempt to challenge the ruling Democratic Liberal party in next year's general and presidential elections. Page 5

Swedish election issue
Plans by the ruling Social Democrats to increase state shareholdings in industry have emerged as the main issue in Sweden's general election campaign. Voting is on Sunday next. Page 3

Bank warns of frauds
The Central Bank of Nigeria published full-page advertisements warning foreign businessmen against conmen it said defrauded companies.

Business Summary

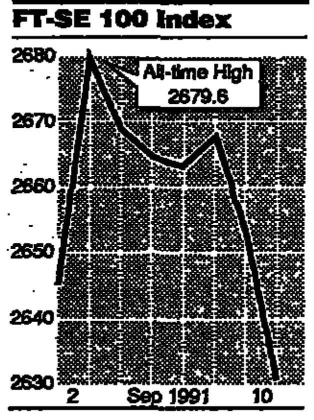
Hitachi cuts capital outlay in response to profits dip

Hitachi, Japan's largest electrical machinery manufacturer, has cut capital expenditure by 20 per cent in response to falling profits and weak demand for computer memory chips.

The cuts amount to Y60bn ($445m) in the year to the end of March 1992. Hitachi expects pre-tax profits to fall 27 per cent to Y150bn in the current fiscal year. Page 15

SHARE PRICES continued to slide in London. An attempt to rally from an early fall of nearly 23 points on the FT-SE

FT-SE 100 Index



scale was thwarted by a weak start to the new Wall Street session. The FT-SE Index closed 22.4 down at 2,630.8, just above the day's low point. The Dow Jones industrial average stood at 2,978.98, down 28.18, at mid-afternoon. Page 25; Lex, Page 14

INTERNATIONAL Business Machines is to launch six mainframe computers and related software and equipment which it hopes will boost falling sales. IBM's operating profits plunged by 74 per cent in the first half of this year. Page 15

H.J. HEINZ, US foods group, announced a sharp rise in first quarter earnings due to a business sale, but underlying profits dipped. Net income was $254.4m, or 95 cents a share, compared with $143.2m, or 54 cents, in the same period last year. Page 17

COMMONWEALTH Bank of Australia suffered a 45 per cent fall in net operating profits to A$272m (US$214.1m) for the year to end June. The result comes two days before the bank's debut on the Australian Stock Exchange. Page 17

NOBEL INDUSTRIES, Swedish chemical and defence group, has appointed Bernt Magnusson, one of the Sweden's best-known corporate restructurers, as chairman, increasing speculation that Nobel may be broken up and sold. Page 16

BOEING'S de Havilland commuter aircraft division in Canada is to be jointly funded by the *Canadian federal government* and the province of Ontario with US$303m in development aid. Page 17

BEAZER, heavily indebted construction and building materials group, has reached an agreement with its bankers over refinancing, paving the way for the sale of its UK-based housebuilding, property and contracting businesses. Page 15. Lex, Page 14

CITICORP, leading US bank seeking to dispose of assets to strengthen its capital base, is expected to sell its 46-branch Italian banking subsidiary later this month in a deal likely to be worth $300m. The around bank has talked to at least two prospective buyers – Deutsche Bank and Banco Ambrosiano Veneto. Page 16

ARJO WIGGINS Appleton, Anglo-French paper group formed last year through the merger of Wiggins Teape Appleton and Arjomari-Prioux, *reported* "encouraging" progress with pre-tax profits for the six months to June 30 at £136m ($230m) set against a notional comparable figure of £142m. Page 22

West seeks power to intervene as strife spreads in emerging states

Call for E Europe task force

By John Lloyd and Mark Nicholson in Moscow

WESTERN foreign ministers yesterday called for European states to have the power to intervene in the internal conflicts of eastern Europe, using the present strife in Yugoslavia and gathering conflicts in the former Soviet Union to illustrate their concern.

Their proposals, still in outline form, came after a strong speech from Soviet president Mikhail Gorbachev to the Conference on Security and Co-operation in Europe which opened in Moscow.

Mr Gorbachev said that "the international community will now deal with a union of sovereign states, a country where free, democratic republics, and dozens of ethnic groups, coexist voluntarily and equally."

As he spoke, a number of the ethnic groups in Armenia, Azerbaijan, Georgia and Moldova were engaged in barely suppressed hostilities – a matter referred to by several of the foreign ministers attending the conference.

Mr Gorbachev also made clear that he wanted urgent humanitarian and longer term aid from the west. "We need assistance, co-operation, solidarity", he said. "We are counting on it. I hope that the west will now consider with greater attention what I have said so many times.

"There are now conditions for more speedy and resolute implementation of the Group of Seven agreements, for assisting the republics and the union to restore the economy".

The strongest proposal, for the CSCE countries to consider developing something like an anti-totalitarian task force came from Mr Hans-Dietrich Genscher, the German foreign minister. He told the conference that last month's abortive coup in the Soviet Union had taught other states that they must immediately isolate would-be putschists and deal only with recognised authorities.

The CSCE had a responsibility to underpin its ideals on human rights by deploying observers in countries which had fallen victim to a coup, or which suppressed human rights – even where permission to do so was refused by the country's government.

Mr Douglas Hurd, the British foreign secretary, said Britain backed these "far-reaching" proposals. Mr Hurd said: "We are certainly in favour of moving beyond the present situation where everything (in the CSCE) happens by consensus." He said the example of Yugoslavia had "shown the limited value" of CSCE mechanisms, where central authority had failed.

Other foreign ministers, though less explicit, voiced concern over the observation of human rights in the fragmenting Soviet republics. Mr Gianni de Michaelis, the Italian foreign minister, said "great care must be taken to ensure that where central authority is dissolved, its place is not taken by countless conflicts ... national aspirations must not only be encouraged, but also governed".

The three Baltic states, Latvia, Lithuanian and Estonia, were yesterday formally accepted as full individual members of the CSCE.

Throughout the day, the ministers were shuttled in and out of meetings with Mr Gorbachev and Mr Boris Yeltsin, the Russian president, in a demonstration of the dual presidential power which now sustains the Soviet Union. These meetings were dominated by discussion of foreign aid, with ministers showing a growing awareness of the Soviet leadership's concern that urgent assistance was necessary to avoid collapse over the next few months.

Continued on Page 14

Protesters erect a barricade across a main street in Tbilisi, Georgia, yesterday. Tensions have run high since last week

Georgia's independence crusade turns into farce

By Leyla Boulton in Tbilisi

WHAT started as Georgia's bold crusade for independence from the Soviet Union now has all the elements of a tragic farce: the president is raging in his palace about a ubiquitous KGB threat, the former prime minister has gone into opposition with the rebel National Guard, while the republic's capital hosts its first ever international juggling festival.

Only a month ago a national hero who could do no wrong, President Zviad Gamsakhurdia, has been discredited by his decision to obey an order by coup leaders in Moscow to disband the National Guard set up to defend Georgian independence.

The failure of the coup and the dismantling of communist central government – which Mr Gamsakhurdia had fought so ardously – also removed much of the justification for Georgians to unite around him and to overlook his dictatorial paranoia.

Things went from bad to worse when the former dissident's own security forces opened fire on unarmed protesters on September 2. Since then, small crowds of protesters have rallied every night outside the parliament building shouting "Ceausescu", "Fascist" and "Blood drinker".

Previously divided opposition groups, now enjoying the tacit support of the National Guard, are calling for the president's resignation and fresh elections.

"He wants to create a closed dictatorial state like Albania [was], in which he would rule supreme", says Mr Tengiz Sigua, who was Georgia's prime minister until he resigned four days before the coup in protest against a lack of democracy and market reform.

Mr Sigua, unshaven and tieless but still distinguished in a pinstriped suit, took refuge at National Guard headquarters five days ago to escape arrest by Mr Gamsakhurdia.

But Mr Gamsakhurdia, himself holed up in offices guarded by a few hundred loyal troops and policemen, said yesterday that he himself had come under attack as part of a KGB plot led by Mr Eduard Shevardnadze, the former Soviet foreign minister who used to rule Georgia, assisted by President Mikhail Gorbachev (whom he "revealed" to be a KGB general).

The president said they were assisted in their efforts to overthrow him by 40,000 KGB agents in Georgia – who happened to include all opposition leaders. He said the move to disband the National Guard had been taken to save it from

Continued on Page 14

Polluted air whets greenfly appetites

By Clive Cookson in London

AT LAST urban gardeners have a scientific excuse for being less green-fingered than their country cousins. Greenfly and other aphid pests find *plants far more appealing* if they grow in polluted air.

UK scientists have shown that aphid infestation can be four times as serious in plants and trees growing in moderate levels of sulphur dioxide, nitrogen dioxide and ozone – pollutant levels frequently found in urban and industrial areas of Europe and North America – than in identical plants growing in clean air.

The aphid studies at Lancaster University and Imperial College, London, are part of a £1m ($1.69m) research programme into the effects of air pollution on crops and forests, financed jointly by Britain's Natural Environment Research Council and the UK electricity supply industry.

The results, announced in London yesterday, suggest that insect damage intensified by air pollution may be an important factor in the mysterious malady which has affected forests in several industrial countries over the last 20 years.

"Aphids seem to thrive when exposed to sulphur dioxide, nitrogen dioxide or ozone," the research council said yesterday. "They are generally healthier and put on weight, which results in their multiplying faster, causing an increase in the size and frequency of pest outbreaks."

The explanation, said Dr Roger Moore of Lancaster University, is that pollutant gases change the biochemical balance of sap and make plants' growing shoots more attractive to aphids. "The damage is invisible but the aphids quickly respond to it."

The most detailed studies have been done on spruce, which is highly susceptible to aphid attack. Tens of thousands of the insects can feed off a single tree and defoliate all its needles.

But Dr Vic Brown of Imperial College said there was evidence that air pollution increased damage in many other plants, including roses, vegetables and cereal crops.

"Roadside and hedgerow trees in much of England are suffering as much damage as the forests of central Europe," said Prof Terry Mansfield of Lancaster University.

Cars and coal-fired power stations are the main sources of the pollutants studied.

Japanese finance ministry unveils market reforms

By Stefan Wagstyl in Tokyo

THE Japanese Ministry of Finance yesterday announced a package of reforms aimed at stamping out stock market abuses revealed in recent financial scandals.

The proposals, which are likely to be passed into law in the next few weeks, were accompanied by the publication of a tough new code of conduct from the Japan Securities Dealers Association.

They are also likely to be followed soon by the publication of detailed plans for the overhaul of the supervision of securities and banking.

A ministry official said that, taken together, the planned legal changes and the securities dealers' association's code were an important reform of the securities markets. However, critics said the measures would not go far enough.

The ministry's draft bill contains a legal ban on stockbrokers compensating clients for trading losses. Both the broker and the client will face fines and possible prison sentences if they knowingly pay or receive compensation or if they make an agreement guaranteeing such payments.

Foreign brokers, however, pointed out that the ministry's proposed penalties were very small – a maximum fine of Y1m ($7,400) for brokers paying compensation and Y500,000 for an investor receiving.

Admittedly, guilty individuals would face fines of up to one year and six months, respectively, but they said such sentences would be very rare since it would be difficult to prove a particular individual had paid or received compensation. The fines would be paid by their employers.

The ministry's draft bill also proposes a ban on brokers managing discretionary funds on behalf of clients.

Compensation payments made for losses suffered on such discretionary accounts are one of the main elements of the financial scandals, which also involve links between brokers and criminal groups and illegal loans made by banks.

The securities dealers' association's code sets out guidelines for defining what, apart from cash payments, constitutes compensation. The rules define acceptable price ranges for dealing in unlisted securities, to prevent brokers selling such securities at artificially low prices. They also set limits on the allocation of new securities to particular customers – another possible means of compensation.

Brokers said the association's code closed some loopholes but left open others.

Meanwhile, the Ad Hoc Commission on *Administrative* Reform is due to report on Friday to Mr Toshiki Kaifu, the prime minister, on planned reform of the supervision of the financial markets. A draft proposes a new watchdog independent of the Ministry of Finance.

The new organisation, modelled on the US Securities and Exchange Council, would have powers to investigate and seek indictments. The draft report

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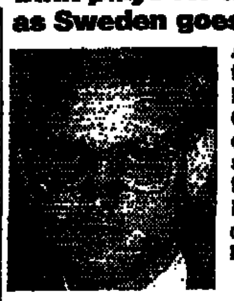
CONTENTS

Bildt plays for high stakes as Sweden goes to the polls



As Sweden goes to the polls on Sunday, Moderate party leader Carl Bildt (left) has his eye on the premiership. If he succeeds in forming a government, he could lead his country into the EC
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MARKETS

STERLING
New York lunchtime:
$1.7335
London:
$1.73 (same)
DM2.9325 (same)
FFr9.965 (9.9725)
SFr2.56 (2.575)
Y233.25 (233.5)
£ index 91.3 (91.5)

GOLD
New York: Comex Dec
$354.2 (355.2)
London:
$350.6 (351.45)

N SEA OIL (Argus)
Brent Oct
$19.975 (19.875)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.6905
FFr5.75
SFr1.477
Y134.68
London:
DM1.6945 (1.6955)
FFr5.76 (5.765)
SFr1.48 (1.5235)
Y134.8 (134.9)
$ index 65.3 (65.4)
Tokyo close: Y134.75

US LUNCHTIME RATES
Fed Funds: $5\frac{7}{16}$
3-mo Treasury Bills: 5.399%
Long Bond: $101\frac{1}{32}$
yield: 8%

STOCK INDICES
FT-SE 100:
2630.8 (−22.4)
FT Ordinary:
2071.9 (−16.7)
FT-A All-Share:
1,269.64 (−0.7%)
New York lunchtime:
DJ Ind. Av.
2,987.03 (−20.13)
S&P Comp
385.51 (−3.06)
Tokyo: Nikkei
22,411.58 (−162.4)

LONDON MONEY
3-month interbank:
$10\frac{3}{16}$% ($10\frac{1}{8}$)
Liffe long gilt future:
$95\frac{3}{8}$ (Dec $95\frac{11}{32}$)

States told economic agreement more urgent than independence

Business chiefs urge restraint from republics

By John Lloyd in Moscow

SOVIET business leaders yesterday pleaded with the republics to postpone their drive towards independence in order to conclude a strong economic agreement which would moderate the effects of the crisis.

"Independence today is not as important as the economic issue because people must live better, both today and tomorrow," said Professor Yevgeny Yasin, economic adviser to the Scientific Industrial League, which represents state and private enterprises.

The appeal to the republics comes amid a struggle within the interim government over whether it will be possible to keep the Soviet economy functioning while economic and political authority is devolved to the republics.

Mr Arkady Volsky, SIL chairman, is also deputy chairman of the Committee for the Management of the National Economy, which now carries on the day-to-day business of Union government. Prof Yasin has worked with Mr Grigory Yavlinsky, also a member of the committee, on a plan for an inter-republican economic agreement which calls for a common monetary, fiscal and banking policy between those republics signing the agreement.

Mr Volsky and Prof Yasin said that, without a strong central authority, reform was impossible. They contrasted the Yavlinsky plan with that proposed by Professor Stanislav Shatalin, author of last year's 500-day plan for radical reform, which calls for a loose association in which republics could retain their own currencies and monetary programmes.

Mr Yavlinsky's plan, details of which were printed in the newspaper Izvestia last night, proposes the retention of a common currency, common rules for economic activity, a common credit policy and a rapid transition to free prices and to opening up republics to the world market.

When asked if the Soviet Union would have to seek rescheduling of its debt, Prof Yasin said "it would do everything possible not to – but we hope we may get some agreement from foreign partners to postpone part of our debt servicing".

His remark adds to the impression that debt rescheduling is now a live issue among the Soviet authorities, even though it is still said to be a last resort. Current debt servicing is running at about $15bn (£8.6bn) annually.

Meanwhile, a further indication of the disintegration of the Union came yesterday when a senior central banker warned that republics might begin to sell gold independently.

Mr Eduard Gostev, deputy chairman of Vneshekonombank, the foreign trade bank, told the official news agency Tass that "hasty, unco-ordinated activities could very easily spoil the market and lead to a fall in the prices for gold".

The deputy chairman was reacting to reports that Uzbekistan, a Central Asian republic which has recently declared independence and which accounts for a third of Soviet gold production, had passed a law allowing it to create its own gold reserves.

Banks wary of agricultural credits

By Barbara Durr in Chicago

THE Soviet Union will have difficulty taking advantage of $315m worth of US agricultural credit guarantees because western commercial banks consider the fast-dissolving country to be an increasingly poor credit risk.

THE upheavals in Moscow have highlighted the impact on world commodity markets of the Soviet Union's economic decline over the past two years. The question now concerns the extent to which increased western aid, allowing food imports, will ease the country's appetite for hard currency and stem a flood of metals exports which have been undermining western markets. Page 24

Banking officials are loath to finance Washington's offer to make the $315m available immediately, and question what legal entity in the Soviet Union is able to commit itself to the obligations involved in borrowing at this stage.

"Why would banks lend money in a situation where it seems very difficult for the ultimate borrower to repay, even with credit? It's not good sense," said Mr Michael Yavorsky, in charge of export sales at Chase Manhattan.

The US Department of Agriculture's programme provides credit guarantees for 98 per cent of the principal and 4.5 per cent of the interest on the loans needed for Soviet purchases from US agricultural producers. A further $585m worth of credit guarantees have been promised by Washington between next month and March.

However, banks which have participated in the agricultural credits programme in the past say they might be willing to consider financing the Soviet sales again if there are "additional comforts" in the deals. These would include guaranteeing 100 per cent of the principal and a larger portion of the interest.

The credit risk involved in the limited cover on the interest, however, appears to be causing the main concern, according to officials at both US and European banks.

The fixed guarantee on interest is not attractive because "this is a floating-rate world", said Mr Paul McGonagle, chief of international risk management at First Chicago.

European banks, which have participated more actively in the programme than their US counterparts, have also adopted a "wait and see attitude", according to Ms Whakyung Lee at Crédit Agricole's New York office.

A number of the bankers said they intended to discuss possible changes in the terms of the Department of Agriculture programme, which is run by the department's Commodity Credit Corporation.

In the past the US has eased terms of foreign purchases of US agricultural goods. In the case of Mexico, for example, it provided guarantees for 100 per cent of the principal and tied the amount of covered interest to that of 52-week Treasury notes.

Bankers acknowledged the political expediency of finding a way for the Soviet Union to buy the agricultural supplies it needs, but said the US government's presumption that the banks would step up to shoulder the loan risk was naïve.

Some bankers suggested the Department of Agriculture might be obliged to offer direct credits instead of credit guarantees and, thus, accept the risk itself.

The Soviets have succeeded in buying 100,000 metric tons of maize this week under the credit programme. But it is believed that this used a precoup financing commitment from a European bank.

Georgian nationalists rally in Tbilisi yesterday in support of President Zviad Gamsakhurdia, who has taken control of the republic's National Guard

Hunt is on for 'missing' roubles

By John Lloyd

THE Soviet Union has conjured up a modern day equivalent of the alchemist stone which turns base metal to gold.

It takes the form of hidden foreign assets of the now illegal Communist party, which are said to be so fabulous that they could, if found, save the Soviet economy.

The newspaper Komsomolskaya Pravda, once the organ of the party's youth-wing but now an independent and popular daily, together with the weekly economic newspaper Commersant, have in the course of investigations into the party's secret funds variously estimated that they stand at $12bn and $100bn (£53.5bn).

Urgent investigations are under way.

Mr Nikolai Kruchina, the party's business manager and the main controller of the party's fortune, committed suicide soon after the failure of the August 19 coup. Komsomolskaya Pravda says the USSR Prosecutor's Office found a file in Mr Kruchina's flat giving the name of individuals who controlled access to the party's hidden business dealings – but which reveals little else.

The rest of the evidence so far presented is vague.

The newspaper quotes an unnamed source in Gosbank, the state bank, who says he saw documents describing four big financial transactions in which Rbs280bn were changed into $12bn and then put into foreign accounts. These deals took place in December last year and January, May and August of 1991, the source says.

The most mouth-watering detail is provided by yet another unnamed official, this time from the Moscow Convention of Businessmen, a private entrepreneurs' association. He told Commersant that party funds of up to $100bn were kept in some 7,000 bank accounts – mostly in small banks in French ports. Further caches were lodged in banks in Uruguay, Ecuador, Nicaragua, Cuba and Iran.

Asked for evidence, the anonymous official proved less than convincing. He said Mr Ivan Frolov, the former editor of Pravda, had flown to Düsseldorf immediately after the coup for medical treatment, but that after "only an hour in a Düsseldorf clinic he then disappeared, probably to draw money from CPSU accounts".

No one doubts Communist party funds were substantial. However, the salaries of thousands of workers, and in recent years the subsidies paid to publications with sharply declining sales, had, according to party sources, cut deeply into the reserves, officially claimed by party officials earlier this year to be Rbs4bn.

G7 to assess extent of possible support

By Andrew Fisher in Frankfurt

DEPUTY finance ministers of the Group of Seven industrial countries will meet in Dresden this weekend to discuss the economic implications of events in the Soviet Union and to prepare for next month's annual meeting of the International Monetary Fund and World Bank in Bangkok.

As the question of aid to the Soviet Union gains urgency, the officials will consider the extent to which governments can become involved. Germany has come out strongly in favour of western support for reform efforts in Russia and the other republics, but most countries including Germany remain sceptical about committing further large sums at this stage.

Although the G7 will form the core of the weekend's discussions, these will be widened on Sunday when the deputies from the Group of 10 industrialised countries meet.

Some of the deputies will then change hats to take part in a meeting on Monday of Working Party Three of the Organisation for Economic Co-operation and Development. This group is concerned with international payments adjustment and the co-ordination of monetary, fiscal and exchange rate policies.

In a series of other developments:

- Latvia and Estonia applied to join the London-based European Bank for Reconstruction and Development. The EBRD, which welcomed the news, said it would be sending a fact-finding mission to both republics shortly. Any new applications to the bank must be submitted for consideration by the board of directors.
- Estonia filed for membership of the International Monetary Fund.
- The Russian Federation plans to apply for membership of the IMF and the World Bank independently from the Soviet Union, a federation official said. The Soviet Union applied for full membership of the IMF in July.

Ukraine law backs foreign investment

By Chrystia Freeland in Kiev

UKRAINE yesterday put some muscle behind its August declaration of independence by introducing laws to encourage foreign investments, introduce a separate currency and take over and privatise all central government property on its territory.

The steps are another indication that Ukraine views fledgling Union-wide state structures as transitional bodies on the path to complete independence.

Such independence means competition for foreign capital, and Ukraine hopes it has a head start with its new law which will allow foreign investors to transfer all profits abroad. The law also protects foreign investors from nationalisation.

Mr Ivan Pliushch, deputy head of the Ukrainian parliament, said the presidium voted unanimously to create a separate currency. "The only issue which is not yet decided is where to print our money."

The parliament also voted to transfer ownership of Soviet property to the the Ukrainian government by December 1.

Deadlock in an embattled enclave

Ariane Genillard on the escalating claims to Nagorno-Karabakh

MR Elshad Gassanov, an Azerbaijani villager, sits in his home under a family portrait showing his five-year-old son holding a machine-gun.

"Don't ask me how many members of my family have been killed. Ask me how many remain alive," he says. Thirteen children in his village are fatherless.

Normal life is now out of the question. With the roads too dangerous to travel, outsiders can only reach the village by helicopter.

This is Nagorno-Karabakh, a mountainous enclave within the republic of Azerbaijan which is mainly populated by ethnic Armenians. The territory has suffered recurrent outbreaks of violence in the past three years as Azerbaijanis and Armenians vie for power.

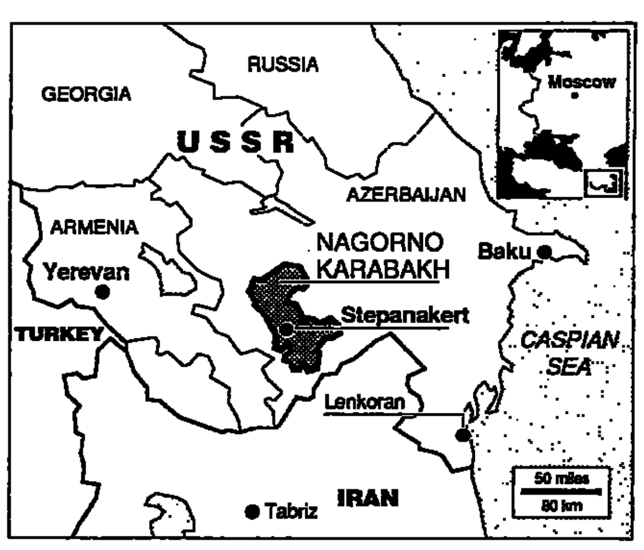
But sweeping changes in the Soviet Union are exacerbating rival claims on the area.

Last weekend alone at least 13 people were killed, bringing the number of casualties this year to more than 150 and making it the bloodiest region in the Soviet Union for ethnic clashes. Two Armenian deaths, at the hands of unidentified assailants, were reported yesterday by an independent Azerbaijani news agency.

Such is the violence that Azerbaijanis say only the intervention of the Soviet army is preventing a slide into full-scale civil war.

The Azerbaijani leadership is fearful that Moscow's support will ebb away. Soviet troops, as well as Soviet Interior Ministry forces, have been stationed in the area since a state of emergency was declared in January 1990.

Together with Azerbaijani Interior Ministry forces, they claim to defend both communities but in practice protect



Azerbaijani villages from Armenian attack.

In the small village of Meshali, Soviet soldiers almost outnumber Azerbaijani inhabitants. Colonel Ion Dima, who comes from Moldova, explains how Armenians encamped in the surrounding hills fired 71 rockets last Friday night.

But the colonel is quick to add that this conflict has nothing to do with him. After 17 years in the army he is now ready to join the National Guard in Moldova, which declared independence from the Soviet Union on August 27.

Azerbaijan declared independence three days later, but the next day Mr Ayaz Mutalibov, the republic's president, flew to Moscow to seek guarantees that Soviet forces stationed in Nagorno-Karabakh and along the border with Armenia would not be withdrawn.

Yet Mr Mutalibov shows no intention of trying to disarm combatants. Instead he has made it clear that Azerbaijan's military forces would replace Soviet troops as soon as a national guard was created in the republic.

However, the new Soviet interior minister, Mr Viktor Barannikov, said yesterday there were no plans for a rapid pullout by his troops from ethnic flashpoints like Nagorno-Karabakh. He added he would present President Mikhail Gorbachev with proposals to set up special "inter-republican rapid-deployment units" to send to such areas.

The Azerbaijani leadership's stance hardened after Nagorno-Karabakh, which has been an autonomous region since 1923, declared its independence on September 2.

"We have no intention of negotiating with any independent republic," Mr Mutalibov said in an interview this week. "Nagorno-Karabakh is inseparable from Azerbaijan and all citizens there must respect the Azeri laws."

Both the authorities in Baku, the Azerbaijani capital, and in Nagorno-Karabakh point out that previous negotiations have failed. They cite as evidence the recent murder of Mr Valery Gregorian, an Armenian from Nagorno-Karabakh who headed a delegation to open talks in Baku with President Mutalibov. Mr. Gregorian was shot dead in the streets of Stepanakert, capital of the disputed region, but it is not known by whom.

"The situation there has reached a deadlock," said Mr Mutalibov. "The place is under the control of certain destructive elements who point on the map to the area they are going to occupy next," he added, referring to Armenians.

The armed Armenians in Nagorno-Karabakh are referred to as bandits. Most Azerbaijanis believe they are armed by the CIA and Israel and are set to reconquer the disputed region.

Armenians say, however, that Azerbaijani forces, along with Soviet troops, are attempting to empty the area of Armenians, who make up 75 per cent of the population. Witnesses allowed to visit the Armenian side say locals have been forced by Azerbaijani troops to desert whole villages, which they then take over.

In the enclave itself the spirit of vengeance is so omnipresent it is hard to see how any peace agreement would hold; for three years now local Azerbaijani and Armenian villagers have been waging terrorist attacks against each other.

"This land must be cleared of Armenians, or the conflict will never end," says one man in a typical outburst of anti-Armenian anger. Next to him lies a bullet-ridden bus in which six of his fellow villagers died in an Armenian attack.

As he speaks, shooting can be heard in the surrounding hills.

Lithuanian Poles protest

By Gillian Tett in Vilnius

LEADERS of Lithuania's 350,000 Polish community yesterday took part in the first political attacks on the Lithuanian government since it gained Moscow's recognition of independence last week.

Carrying red and white Polish nationalist flags and banners several hundred Poles marched through Vilnius to protest against a decree that dissolved the regional councils of the two mainly Polish districts of Vilnius and Soleczniki, along the border with Belorussia.

The Lithuanian government intends to impose direct rule on these two areas for an indefinite period, while the Polish community is demanding autonomy within the Lithuanian republic.

Tokyo plays down territorial dispute

By Stefan Wagstyl in Tokyo

JAPAN is softening its hard-line policy towards the Soviet Union in the wake of the failed coup, and playing down the importance of a territorial row which has long plagued bilateral relations.

The shift in attitude could allow Tokyo to abandon its insistence on linking large-scale financial aid to the Soviet Union to a settlement of Japan's claim to the southern Kurile islands, seized by Soviet soldiers in 1945.

Japan would still be reluctant to offer massive financial assistance without drastic economic reform in the Soviet Union. But minimising the territorial issue is making it easier for Japanese officials to co-ordinate policy with the US and other leading industrialised countries.

Officials at the Ministry of Foreign Affairs deny Japanese policy has changed and say the goal of recovering the Northern Territories remains firmly in place. But one senior official concedes that it "would not be right" to press territorial claims now.

Hints of a shift in Tokyo's attitude came this week during meetings between Japanese ministers and Mr Ruslan Khasbulatov, acting speaker of the Russian republic's parliament and a top aide to Mr Boris Yeltsin, the Russian president. Mr Khasbulatov is the most senior Russian or Soviet official to visit Tokyo since President Mikhail Gorbachev came in spring.

Mr Toshiki Kaifu, Japan's premier, and other Japanese officials have, as before, asked for a resolution of the territorial dispute. But they have avoided pressing hard for a settlement, as they did during Mr Gorbachev's trip.

Japanese officials have also applauded a conciliatory letter from Mr Yeltsin delivered by Mr Khasbulatov in which the Russian leader promised to "accelerate" talks with Tokyo. When Mr Gorbachev made similar vague pledges in April he was repeatedly urged to be more specific.

A senior foreign ministry official said Japan was abiding by the policy it presented at the London summit of the Group of Seven, namely that Tokyo would respond favourably to positive changes in the Soviet Union.

The foreign ministry has reason to be coy about softening its approach. It runs the risk of angering right-wing political groups in Japan which have long campaigned for the return of the Northern Territories.

But Tokyo is concerned that single-minded pursuit of the territorial issue might separate Japan from its G7 partners. Officials are aware of the complexity of change in the Soviet Union and are anxious Japan is seen to be contributing to the reform process.

However, they still have serious reservations, notably a belief that the weak Soviet economy is in no condition to absorb large amounts of aid. A second senior foreign ministry official said Japan's "fundamental position" was that it wanted to help the Soviet Union. "But we have some doubts whether finance would really help unless they reconstruct their economy."

Mr Kiyoaki Kikuchi, a former ambassador and an adviser to Matsushita Electric Industrial, the electronics group, puts it more bluntly. "There will be no change in Japanese policy [on aid] because the coup has not changed anything in the economic situation, only in the political situation. Gorbachev was wrong on economic policy. We have no assurance that Yeltsin will be right."

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EUROPEAN NEWS

Dane to chair EC central bankers' group

By Hilary Barnes in Copenhagen and Peter Norman in London

MR Erik Hoffmeyer, the Danish central bank governor, was yesterday elected head of the influential European Community central bank governors' committee.

Mr Hoffmeyer, who at 66 is the longest serving EC central bank governor, was elected by his EC counterparts. He is highly regarded by his peers as a straight talking pragmatist, with a dry sense of humour, who played an important part in solving the problems of high inflation and a persistent current account deficit that had bedevilled the Danish economy for many years.

He takes over chairmanship of the EC central bankers' group when important decisions are looming in negotiations on European economic and monetary union. His tenure of office until the end of 1992 is expected to be marked by a continuity of policies from those of Mr Karl Otto Pöhl, his predecessor. But he will be less flamboyant than the former Bundesbank president.

The bankers' committee is already playing a more active role in EC monetary affairs under the arrangements for the present first stage of Emu. It has been described by Mr Jacques de Larosière, the governor of the Bank of France, as an embryonic European central bank and has launched studies on how to move to a single EC monetary policy.

Mr Hoffmeyer will represent his fellow governors at meetings of EC economics and finance ministers. Here, he will have an important role to play in the discussions over the transitional second stage of Emu and over the treaty and structure of stage three, in which monetary union is due to be achieved.

Both he and the Danish government regard Emu as desirable, and Denmark as one of the "core countries", along with Germany, Belgium, the Netherlands and Luxembourg, which will be among the first to move towards full monetary union.

However, he argues that irrevocably fixed exchange rates require fully co-ordinated monetary policy and a high degree of economic convergence and that sufficient convergence has yet to be achieved.

He does not see much likelihood that the Ecu can be substituted for national currencies in the near future. "It is as if the planners are not aware of the power of the preference of ordinary people of using what they are accustomed to," he told European bankers in June.

Mr Hoffmeyer has a well-developed sense of humour. He once told how he had asked his wife whether Denmark's politicians would take its current balance of payments deficit more seriously if he went on hunger strike. "You may be fat, but not fat enough for that," she replied.

Brundtland may have to seek confidence vote

By Karen Fossli in Oslo

MRS Gro Harlem Brundtland, premier in Norway's minority Labour government, may have to seek a parliamentary vote of confidence next month, after her party suffered its worst vote since World War II in Monday's local elections.

Gains were made by the centre and socialist left parties, with an anti-EC campaign. Mrs Brundtland will seek MPs' backing on her government's stand in talks between the European Free Trade Association, of which Norway is a member, and the EC for a European Economic Area (EEA) from 1993. Yesterday, she said Monday's elections made it less likely Norway would re-apply for EC membership. Should she lose the vote, she would have to quit. The Conservative party would be asked to form a government.

Industrial orders up for east Germany

By David Goodhart in Bonn

JUNE industrial orders for east Germany rose by 10 per cent over the previous month, giving further grounds for cautious optimism for the economy.

However, much of the increase came from promised Soviet orders which increased foreign orders by 63 per cent.

Domestic orders in fact fell by 4.5 per cent and the overall order level remained about 25 per cent down on the average of the last six months of 1990. The main sectors to benefit from foreign interest were heavy machinery, steel, railway wagons and textiles.

EC immigration talks urged

France and Germany are to call a European conference on the prevention of illegal immigration, notably clandestine immigration from Eastern Europe, writes Ian Davidson in Paris.

In addition to the members of the European Community, the interior ministers of France and Germany yesterday suggested that invitations could also go out to the governments of eastern Europe, as well as to Switzerland and Austria.

Poland 'must stay with austerity'

Poland must stick to tight monetary policies despite a recession which could last another 18 months, Mr Marek Dabrowski, central bank governor-designate, said yesterday, Christopher Bobinski reports from Warsaw.

Mr Dabrowski told parliament's budget committee that "an expansion of money supply now would lead to catastrophic hyper-inflation". But he admitted that a continuing recession carried "an enormous threat of an unco-ordinated outbreak of social discontent".

Parliament is expected to vote on his appointment at the end of this week.

A Croatian guardsman carrying an unexploded federal army tank shell found near Vukovar

Increased state ownership plan worries Swedes

John Burton looks at what is shaping up as the main election issue

PLANS by the ruling Social Democrats to increase state shareholdings in industry have emerged as the main issue in Sweden's general election campaign, which ends with voting next Sunday.

The debate has been provoked by a government's plan to expand the role of the compulsory ATP national pension funds in the capital markets.

The funds would be merged with the trade union-affiliated wage-earner funds to create five huge funds with a total of SKr500bn (£46.7bn) in capital assets. Half of this capital could be used for investment in equities, five times the size of the share portfolio now held by the ATP and the wage-earner funds combined.

The five new funds together would be allowed to acquire a quarter of the voting rights in any industrial company, with the trade unions holding half of that stake.

The government says the proposal will guarantee the future of the country's pension scheme by widening the funds investment opportunities. The opposition calls the plan a case of creeping socialism.

The ATP funds are now allowed to invest SKr25m on the bourse, while the wage-earner funds, which were financed until this year by a corporate profit tax, has another SKr20m in equities. They are among the biggest shareholders in companies such as Volvo, the car maker, and Astra pharmaceuticals.

Abolition of wage-earner funds will be among the first actions the non-socialists take if they gain power, which the opinion polls suggest will happen.

In contrast to the Social Democratic policy of selling minority stakes in state companies while retaining majority government control, the non-socialists favour full-scale privatisation, albeit over a lengthy period.

The goal is to sell assets valued at SKr10bn per year through general share issues on the Stockholm bourse. An amount greater would swamp the market, where total new share issues averaged around SKr10bn a year during the 1980s. It would take 25 years to finish the privatisation programme at this rate.

Early candidates for privatisation would be the state companies already listed on the bourse, including pharmaceutical and food group Procordia and the steel concern SSAB.

Foreigners would probably be allowed to participate in some share offerings and corporate acquisitions, although it is still unclear how the non-socialists would change rules governing foreign ownership. Foreigners are not allowed to own natural resources, such as mines and forests and may also be prevented from acquiring defence companies for national security reasons.

Dutch under fire over stance on Emu progress

By Andrew Hill in Brussels

THE Netherlands, which holds the presidency of the EC, is likely to face strong opposition from some northern member states if it attempts to abandon the technical paper on economic and monetary union discussed at Monday's meeting of Community finance ministers.

The paper would have allowed a group of economically strong member states to move ahead to the final phase of Emu ahead of their weaker counterparts, based on strict economic criteria.

It was welcomed by the UK and Germany on Monday and yesterday morning Mr Douglas Hurd, the foreign secretary, said on BBC radio the plan represented an acceptance of reality by other EC members.

However, immediately after Monday's meeting, Mr Wim Kok, the Dutch finance minister, said he had not approved the paper and that it had "no political status". He also said he favoured a system of derogations for weaker economies, rather than a two-speed approach which he described as "a structural impairment" to the Emu process.

Italy – one of the principal opponents of the original paper – would welcome any return to the idea of derogations. It would keep the group of 12 together in the final move to currency union and eliminate the risk of Italy being excluded from the first division of strong economies. An Italian official said yesterday that the country's delegation at Monday's meeting – led by Mr Guido Carli, the treasury minister – were "rather pleased how things turned out".

It remains to be seen whether the Dutch will attempt to incorporate derogations into a formal draft treaty, which they expect to produce before the end of next month. National officials were yesterday involved in discussions about different aspects of Emu and were unavailable to comment on the implications of Mr Kok's comments at the end of Monday's ministerial meeting.

EC cooling-off plan for time-shares

MR Karel van Miert, EC commissioner for consumer affairs, is planning to introduce Community legislation which would allow buyers of time-share properties a "cooling-off" period during which they could change their minds about a deal, Andrew Hill writes from Brussels.

The Commission may produce a draft directive aimed at protecting time-share customers before the end of the year. Mr van Miert, who has already suggested a similar "right of reflection" for mail order customers, said he welcomed the recent introduction in Belgium of a law imposing a statutory cooling-off period, and forbidding promises of perks for commercial ends. Certain time-share operators are notorious for offering potential buyers "prizes" if they sit through presentations about holiday developments. The free gifts often prove to be illusory or are attached to unreasonable conditions.

The Commission has already put forward a directive on unfair contracts, which would make it illegal for any sales contract to include a clause forbidding a period of reflection. That directive should be adopted by member states before the end of the year, but Mr van Miert wants a separate directive to make a cooling-off period compulsory in time-share contracts.

Such a directive would also reinforce EC legislation from 1986 on door-to-door selling. That obliges salespeople to offer a cooling-off period, but does not cover time-share operations.

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WORLD TRADE NEWS

Customs raids hit US-China links

By Nancy Dunne in Washington

WASHINGTON-Beijing relations have received another jolt following raids by the US Customs Service on the 23 American-based offices of Chinese government trading companies, seizing money and millions of dollars' worth of goods suspected of having illegally entered the US market.

Beijing responded with a strong protest to Mr Richard Solomon, US assistant secretary of state. Zhu Qizhen, China's ambassador to the US, said his government was "shocked and gravely concerned at this unjustifiable development".

US textile interests urged US Customs to continue its investigations. The American Textile Manufacturers Institute (ATMI) claimed the seized goods represent "only a small portion" of the large volume of transhipments of Chinese textiles and apparel.

Ms Carol Hallet, US Customs Commissioner, said three people holding Chinese diplomatic passports were detained and that the corporations involved in the seizure all "deal with products made in mainland China". Customs officials were said to have already seized $3m-worth of property and cash from the companies involved.

Customs gave little away about "simultaneous search warrants" executed beyond New York City, where most of the trading houses are situated. The seizures follow allegations that the clothing had been mislabelled as originating outside China, including from Macao or Hong Kong, to avoid US textile quotas.

The seizures come as US-Chinese tension is growing. President Bush promised senators to take tough action against China in a whole series of

China has been able to worry the US farm lobby enough to make Washington 'blink first' in any dispute

trade disputes, including illegal Chinese textile shipments through third countries "if China does not exert effective control". Failure by the administration to act could leave the president vulnerable to Congressional attempts to place heavy conditions on next year's renewal of China's Most Favoured Nation status.

The administration has set a September 30 deadline for receiving specific pledges from Beijing to open its markets to imports. US sanctions can be expected by November in another dispute over China's alleged failure to protect foreign companies' intellectual property rights.

Chinese officials have so far given no sign they will bend to US pressure. Hitherto, Beijing has made few concessions and has skilfully played its "grains card". By disappearing from the US agriculture market for a time, it has been able to worry the US farm lobby enough to make Washington "blink first" in any dispute.

US textile interests have become increasingly alarmed by the growth of imports during this year's recession. In June, the most recent month for which figures are available, textile imports climbed 8.3 per cent.

Mr Carlos Moore, ATMI executive vice-president, urged the administration to seek ways to curb market disruptions "instead of continually phasing out controls with new trade agreements".

Mobile phones plan for Athens

ATHENS is seeking preliminary offers for two mobile phone networks for mainland Greece and some islands, to be set up in co-operation with OTE, the state telecoms company, Kerin Hope writes from Athens.

Mr Tzannis Tzannetakis, deputy prime minister, said yesterday that up to 10 consortia would be shortlisted next month and asked to submit bids. Contracts will be awarded next April. Investment is expected to reach $200m (£118.3m) over five years, with priority given to developing mobile communications around Athens.

Officials say the networks will attract 80,000 subscribers in the first three years. Both will use the GSM system being set up throughout Europe. Athens wants OTE to have a 35 per cent stake in each.

Computer makers rush to fill vacuum in eastern Europe

WESTERN computer makers including International Business Machines (IBM) of the US, Siemens Nixdorf of Germany and ICL, the UK-based subsidiary of Fujitsu of Japan, are jockeying for position in eastern Europe, after the collapse of local computer manufacturing, Alan Cane writes.

Yesterday, ICL said that in a break with its accepted business practice, it intended to market in Poland and Czechoslovakia mainframe computers built by its Japanese parent, as well as its own Series 39 machines.

It claims to lead in supplying imported computer systems in the two countries.

Mr Peter Slavid, ICL's corporate systems business manager, said the decision to sell Fujitsu mainframes was a local response to eastern European market conditions and would not be repeated elsewhere. Fujitsu has stressed ICL should be seen as a member of a loose confederation of Fujitsu subsidiaries, free to compete with its parent in world markets.

ICL has decided to sell Fujitsu mainframes in Poland and Czechoslovakia since the Japanese machines are closer in design to the "Ryad" mainframes formerly built in eastern Europe than ICL's Series 39 computers. It will be easier for Polish and Czechoslovakian computer users to move from their obsolete Ryad mainframes to Fujitsu's M-series mainframes than to Series 39.

The Ryad range was introduced by the Soviet Union and its east European allies in 1972, based on the design of IBM's mainframe computers. They have become the de facto standard in the former Soviet bloc but after local makers closed, they will have to be replaced by western systems.

The Ryad design is no longer adequate for the growing information needs of countries like Poland, Hungary and Czechoslovakia as they try to revitalise their economies. Eastern Europe probably has about 1,200 Ryad machines ready for replacement by modern western computers. IBM can capitalise on this need, with a stock of machines available through its leasing subsidiary.

Brussels tells Japan to get crack(l)ing

AT a buffet next week promising a fine selection of Danish pork dishes, Japanese officials will be expected to chew over a promise by Mr Toshiki Kaifu, Japan's prime minister, to end a pork import fraud allegedly involving Taiwanese pigs and Japanese gangsters. Robert Thomson reports from Tokyo.

Since Mr Kaifu gave this pledge three months ago, Japan's Taiwanese pork imports have kept rising, European exports have kept falling, Tokyo is again arguing no pork problem exists, and the EC is squealing over lost share of the market. Japanese officials have even hinted that while Mr Kaifu is free to make promises, the government does not necessarily have to keep them. This lack of action has prompted the EC to co-host a seminar with the Danish pork industry next Tuesday, and offer the Japanese guests a menu of politically-flavoured pork loin.

The EC delivered a Note in April complaining some Taiwanese pork is sold at unfairly low prices in Japan because of invoice falsification, and asking Tokyo to "suppress fraudulent pork imports". Falsified invoices are used to take advantage of a "differential duty" system designed to protect Japanese farmers by charging extra duty on imports priced at below a minimum of Y612 (£2.67) per kg.

By marking invoices at Y612, the EC say, some Japanese importers slice off a profit on pork bought for, say, Y400 from Taiwanese suppliers; distributors and retailers also benefit. It is not suggested all Japanese traders are involved, but the EC has made a list of suspect companies, and is awaiting Japanese police action. "It's easy to see something's wrong. The minimum import price is supposed to be Y612, but you can buy pork for Y450 in Japanese stores. If the import price was true, they would be losing Y200 on every kilo sold," a Danish official said.

Kaifu: pledge to act

In the first half of this year, pork imports from Taiwan rose 28.1 per cent; those from Denmark fell 13.4 per cent. By end-July, Taiwan had a 51 per cent share of the $1.5bn (£880m) market against Denmark's 32 per cent. The Danish industry had already recorded a 22 per cent fall in exports last year, and lost its place as market leader. The issue is complicated by the role in meat imports played by a Japanese underclass known as the burakumin, traditional slaughterers of livestock, discriminated against and feared. Japanese gangsters are also thought to have won a prime cut of the illegal market by using short-lived front companies and passing themselves off as burakumin, whom police can be reluctant to prosecute.

Japan's Ministry of Agriculture insists the EC is exaggerating the impact of the fraudulent imports, and that Taiwan's proximity and its strength in chilled pork are important reasons for the growing share. But the EC says chilled pork sales have hardly fluctuated, and Commission officials are planning a tougher approach, if the pork buffet does not work.

Extra $400m for Japan-Hungary trade cover

JAPAN'S Ministry of International Trade and Industry (Miti) will extend an additional $400m (£236.6m) of trade and investment insurance over the next two years for Japanese companies doing business in Hungary, a Miti official said yesterday, AP-DJ reports from Tokyo.

Miti will also send a team of government and private officials to Hungary this year to study the Hungarian government's plans to promote industry as well as to offer technical advice.

The visit to Hungary, lasting about one week, should allow Miti to supplement the information it receives from Japanese companies by speaking directly with government economic planners, the official said.

The mission to Hungary was a "new idea", which would be continued "for several years. . . .to help promote Hungarian industry" by discussing sectors and areas where the Japanese trade and investment insurance could be used most efficiently.

The idea of sending such teams periodically to recipients of Japanese government insurance could be extended to other countries besides Hungary.

Kellogg to build plant in Latvia

KELLOGG, the US foods group, yesterday said it had set up a ready-to-eat cereal manufacturing joint venture in Latvia, which recently achieved independence from the Soviet Union, Martin Dickson reports from New York. Its partner is Adazi Inc, a private, employee-owned company. The venture is to build a plant in Riga to come into operation in 1993 and serve Latvia, other Baltic states and Belorussia and Russia.

AMERICAN NEWS

Brazilian insider trade claim

By Victoria Griffith in São Paulo

BRAZIL'S stock market watchdog, the Comissão de Valores Mobiliarios (CVM), has revealed an insider trading scandal in the shares of Telebras, the state-controlled telephone company.

Mr Rene Garcia, CVM director, said on Monday two São Paulo broking firms and eight individuals were involved. The CVM accused the traders of having advance information on large purchases in the market, which led them to speculate on their own account. "We are taking this case to the end, to show to the world that insider trading is not acceptable in Brazil," said Mr Garcia.

Telebras has become a favourite share among foreign investors lately. Over the past five months, the share price has almost quadrupled in dollar terms. As a result, the company has moved from 13th to third place in market capitalisation rankings, and is now valued at about $1.7bn (£1bn).

The CVM said it would not reveal the names of the alleged offenders until its investigations were completed. The punishment, however, is likely to be light by international standards.

US court nominee is warned over 'evasion'

By George Graham in Washington

JUDGE Clarence Thomas yesterday faced a barrage of tough questioning from senators on the first day of hearings on his nomination to the US Supreme Court.

The eight Democratic members on the Senate judiciary committee served notice that they planned to question Mr Thomas closely on his views on abortion, civil rights and the constitutional role of the Supreme Court. They warned him that they would not be satisfied with the evasive responses they had received from the last two Supreme Court nominees.

"Many of us are concerned about the direction the court has taken in recent years. It has increasingly abandoned its role as the guardian of the powerless. It has repeatedly sought to turn back the clock on civil rights," complained Senator Edward Kennedy.

"Many fear that we are witnessing the creation of a monolithic right-wing court that is going to favour the state and the power of the state over the rights of the individual," said Senator Patrick Leahy.

Mr Leahy acknowledged that it would be inappropriate for Mr Thomas to be asked how he

Kennedy: "concerned"

would rule on specific issues that might come up before the Supreme Court, but warned that he would not accept this as an excuse for avoiding questions on all sensitive issues, as previous nominees have done.

The committee's Republican minority came to Judge Thomas's aid with glowing praise for his ascent from poverty. "I'm so doggone proud of you I can hardly stand it," said Senator Orrin Hatch of Utah, who said he could understand Mr Thomas's childhood experience because he, too, had grown up in a home "without indoor facilities".

But even Senator Arlen Specter, a Republican from Pennsylvania, warned that he was concerned about Judge Thomas's apparently low opinion of Congress.

"I believe that deference is due to the president's nomination, but that could change if the trend continues to turn the court into a super-legislature," he said.

Judge Thomas, whose nomination has divided political interest groups, is expected to face three days of questioning from the 14-man committee.

A New York Times/CBS opinion poll yesterday showed that 65 per cent of those questioned had no opinion on the nomination. Of those who had formed an opinion, twice as many favoured Mr Thomas as opposed him.

The poll also showed that 42 per cent of those questioned thought the Supreme Court was too conservative, compared with 30 per cent who thought it was too liberal.

British MP seeks probe into journalist's death

By Leslie Crawford in Santiago

LABOUR MP Mr David Winnick yesterday urged "the most strenuous inquiries" into the death of Mr Jonathan Moyle, the British journalist found hanging in the closet of a Santiago hotel room last year. His call to Mr Kenneth Baker, the home secretary, follows a Chilean judge's finding that Mr Moyle was murdered and did not commit suicide as the Chilean authorities originally ruled.

Mr Moyle, the editor of Defence Helicopter World and a former RAF pilot, was found hanging from a sheet in the clothes cupboard of his Santiago hotel in March last year. He was attending the FIDAE air show, the biggest exhibition of military hardware in Latin America.

Chilean homicide police said he had committed suicide. However, his death gave rise to press reports that he was murdered because of information he had obtained on sales of military technology to Iraq.

Mr Tony Moyle, his father, believes this to be the case.

Judge Alejandro Solis's verdict closes an 18-month inquiry dogged by a lack of co-operation from both British and Chilean authorities. The inquiry failed to shed any light on who killed Mr Moyle or why. Mr Solis said he decided to close the case temporarily in the absence of further evidence.

Second quarterly trade surplus in a row for US

THE US recorded a $3bn (£1.7bn) surplus in foreign trade from April through June, the first time it has posted back-to-back quarterly surpluses in nine years, the Commerce Department said yesterday, AP reports from Washington.

The second-quarter surplus followed an even larger one of $10.5bn in the first three months.

However, the positive trade numbers in both quarters reflected huge payments made to the US Treasury by other countries, including Japan and Saudi Arabia, to pay for the Gulf war. Without these the country would have suffered a deficit of $5.2bn in the second quarter and $6.4bn in the first.

Mr David Wyss, an economist with DRI-McGraw Hill, the economic consultancy, said he expected the deficit almost to disappear this year, falling to around $6bn. But in 1992, Mr Wyss said, "the deficit will worsen. As the economy comes out of the recession, imports are going to rebound."

Economists said they were looking for the deficit to shoot back up to the $70bn-$80bn range in 1992, reflecting the absence of Desert Storm payments and higher imports.

The trade figure covers the current account, the broadest measure of trade, which tracks not only the flow of merchandise between countries but also investment and service transactions.

Poverty scheme boosts Salinas

The Solidarity programme aided the government in Mexico's mid-term elections, writes **Damian Fraser**

MEXICO'S President Carlos Salinas de Gortari tries to spend a few days every week inaugurating public works projects under the banner of the "Solidarity" anti-poverty programme. This week he will visit eight Mexican states inaugurating still more projects, in honour of the second national Solidarity week.

The programme, launched in December 1988, has become the president's most visible domestic policy. As Mexico's economy has grown and public finances strengthened, spending on the programme has risen to $1.7bn (£1bn) this year, a 60 per cent rise on 1990.

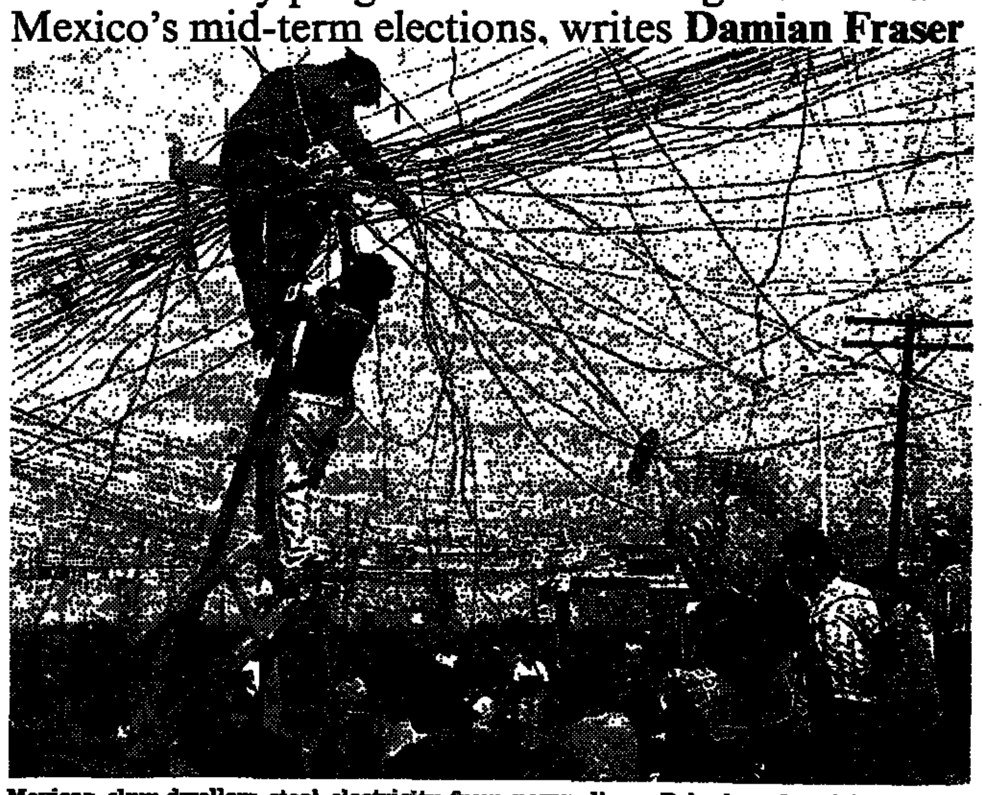
Supporters and critics alike acknowledge the critical role of the programme in the government's convincing victory in last month's mid-term elections. Mr Frederico Reyes Heroles, editor of the public opinion magazine Este Pais, says: "The impact was very high. Solidarity has proved a very effective way of exploiting the power of the president."

Government officials are quick to reel off the benefits of the programme. According to the ministry of budget and planning Solidarity money will by the end of this year have helped refurbish 51,000 schools, built 1,030 rural health clinics, financed 181,000 student scholarships, 4,819 running water pipes and so on. Since the government has taken to re-naming existing social programmes as Solidarity projects, the list is almost endless.

Day after day on Mexican television and radio smiling peasants give thanks to Solidarity for the arrival of roads and electricity. Food coupons for the poor, medical clinics in villages, loans to small farmers, student scholarships all bear the Solidarity imprint.

The programme breaks new ground not just in its size, but in the way in which it is organised. In theory every Mexican community – be it a village or street – can elect a Solidarity Committee to decide what public works projects the community needs. The committee then solicits the money for the chosen project from the president or budget ministry. If the money is granted, the committee is responsible for the project's construction.

Mr Carlos Rojas, who heads the programme, says this ensures that small communities obtain the projects they want, rather than as in the past what federal and state bureaucracies thought they should have. There is, supposedly, less corruption than in the past, since the recipients of the money are those benefiting from and carrying out the projects. And the new programme is much nimbler than previous



Mexican slum-dwellers steal electricity from power lines. Bringing electricity to poor areas is one of the Solidarity programme's successes.

ones. "In 1989 and 1990 we carried out 100,000 projects. No other government agency could have done that because of the bureaucracy," Mr Rojas says.

This approach to government spending has obvious political advantages. An architect in the town of Maravatio in Michoacan, in charge of renovating a theatre with Solidarity money, says: "People think the money is coming directly from the president and not from the [opposition] municipal president." Mr Salinas has reinforced this image by inaugurating as many projects as he can.

The Solidarity committees, on the other hand, are said to be breaking the power of local caciques, or village chiefs, whose corruption and omnipotence had damaged the ruling Institutional Revolutionary Party (PRI). Some government supporters suggest that the committees will provide the PRI with a new generation of local political leaders. In the August mid-term elections, three PRI senate candidates had been the Solidarity delegates for their state.

However, critics argue that the political objectives of Solidarity – apart from concentrating presidential power still further – are distorting its anti-poverty ends. The budget is so loose and informal that no-one knows exactly how and where money is being spent. Critics say the programme resembles at times more a giant presidential slush-fund than a carefully targeted anti-poverty project.

One US-based economist specialising in poverty programmes derided the suggestion, made by Mr Rojas, that Solidarity was becoming a model anti-poverty programme closely watched the world over. "Solidarity has an urban bias focusing on slightly higher-income people who vote and have been squeezed by the crisis of the 1980s," the economist claims.

Mexican opposition leaders in turn characterise the programme, and the huge free advertising campaign that accompanies it, as blatant vote-buying rather than poverty-alleviation.

The Solidarity-financed theatre in Maravatio, Michoacan for example, is unlikely to help the roughly 20 per cent of Mexicans who are extremely poor and undernourished. Nor are other programmes – such as subsidised loans to small land-owners – helping the very poor, most of whom do not have any land.

As he criss-crosses Mexico this week, Mr Salinas will not worry too much about these criticisms. He can justifiably claim that this latest brand of Mexican populism is not damaging the Mexican economy; thanks to cuts in subsidies and revenues from privatisations, the government budget will be in balance this year. Indeed Solidarity's political success has been critical to continued support for the president's liberal economic reforms.

Mr James Baker, US secretary of state, has hailed Mexico's economic reforms as a lesson to the rest of the world, while broadly approving of the conduct of last month's mid-term elections, Damian Fraser writes.

Mr Baker told the annual meeting of the US-Mexican binational commission on Monday that the "economic revolution in Mexico" was "remarkable".

The commission met as the two countries, with Canada, are negotiating a free trade agreement. Mr Baker said: "We are making tremendous progress and there is increasing good will." Ms Carla Hills, the US trade representative, said she saw no insurmountable problems to reaching an agreement.

Mr Baker said Mexico and the US would remove remaining barriers to agricultural trade. This would be an important Mexican concession, since Mexico's maize sector is now largely closed to foreign competition.

South Korea's two opposition parties to merge

By John Ridding in Seoul

SOUTH Korea's two main opposition parties yesterday announced that they were merging in an attempt to challenge the ruling Democratic Liberal Party in next year's general and presidential elections.

The formation of the new party, which will be called the Democratic Party, represents the first substantial alliance of South Korea's splintered opposition forces since the introduction of democracy in 1987. It will boost the political ambitions of Mr Kim Dae Jung, South Korea's veteran opposition leader and joint president of the new group.

Kim Dae Jung: joint president of new party

But western diplomats and analysts said the Democratic Party had much to do to present itself as a credible alternative to the government. They said the merger had been forced by the weakness of opposition groups, and in particular their poor showing in local elections held earlier this year.

The Democratic Party will control 76 of the 299 seats in the National Assembly. It will be led jointly by Mr Kim Dae Jung and by Mr Lee Ki Taek, head of the smaller opposition group in the merger.

The ruling DLP, formed last year through a merger of the ruling party and two opposition groups, holds 215 assembly seats.

"Through today's merger, a big and strong opposition group emerged in our country," Mr Kim said in a speech before supporters at the national assembly. "Let us march towards the road to victory over the immoral Democratic Liberal Party by the gaining support of the people."

According to Mr Kim, the new party will serve as a catalyst in easing the regional divisions which characterise Korean politics. This is because Mr Lee Ki Taek, the party's co-leader comes from Kyongsang province, the traditional rival of Cholla province which is Mr Kim's power base.

The Democratic Party says it hopes to reduce the gap between haves and have nots, work against corruption and enact policies to ease inflation. It says it will oppose the revision of the constitution from the current presidential system to a cabinet system of government. The change is being sought by the largest faction in the ruling party.

● An Asian ministerial meeting of the Group of 77 opened yesterday in North Korea's capital of Pyongyang, AP reports. The conference was the first ever held by a UN-related organisation in the communist North.

North and South Korea are expected to be formally accepted as members of the UN at the General Assembly this month.

The Group of 77, formed in 1964 as part of the UN Conference on Trade and Development, aims to promote economic co-operation among developing nations. It now has 128 member countries. Among those attending is North Korea's rival, South Korea.

US group condemns Kuwait killings

By Victor Mallet, Middle East Correspondent

A US-based human rights group has condemned the killings, torture and deportation of suspected collaborators in Kuwait since the country was liberated in February and accused the US administration of a "disturbing unwillingness" to protest.

Middle East Watch, in a report published today, says most of the abuses were committed by the security forces or by irregular armed groups working with them. The state security secret police is singled out as worst offender.

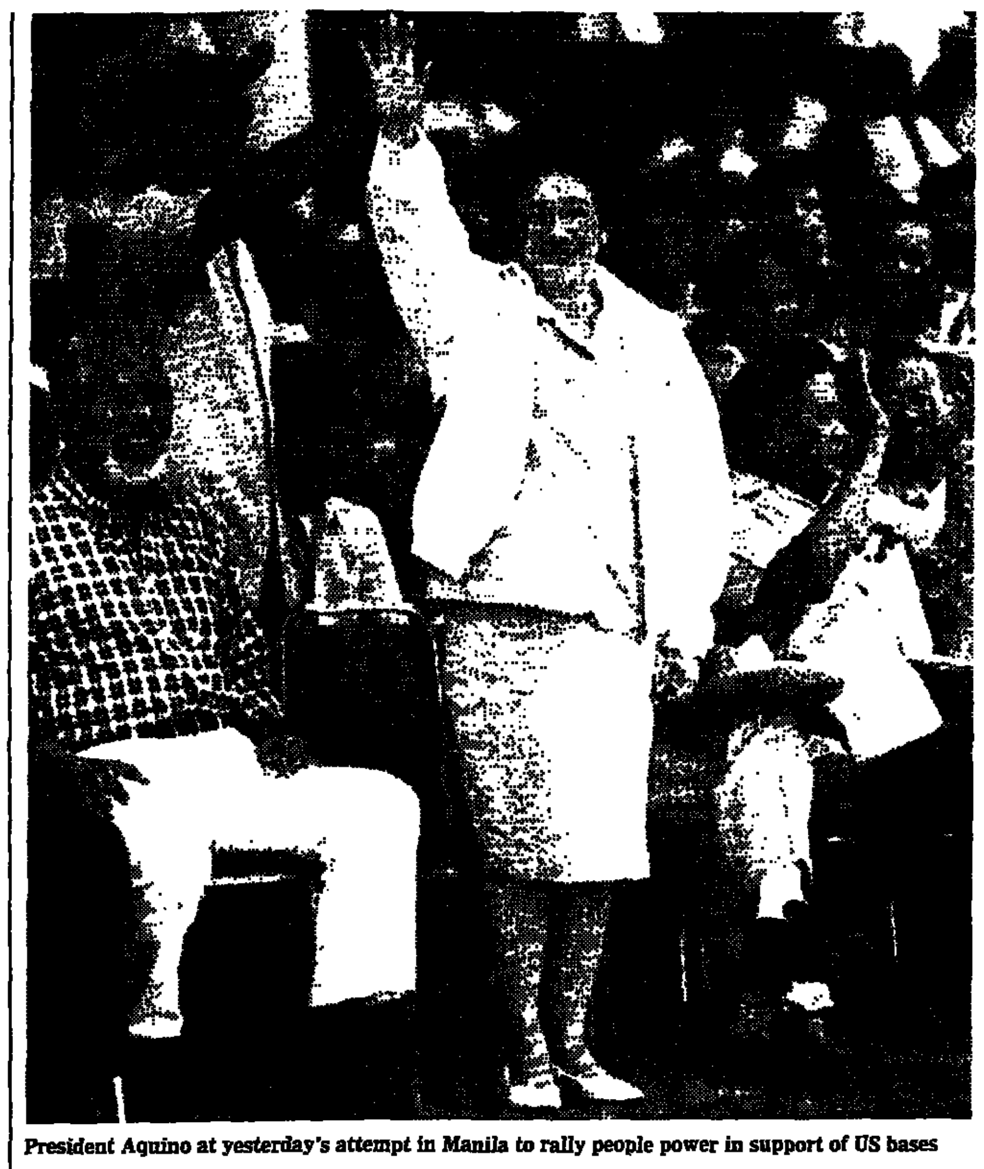
The report says "the highest levels" of the Kuwaiti government shared complicity in the killings because none of those responsible has been arrested and because members of the government have called for Kuwait to be "cleansed" of a supposed fifth column.

"The violence of the early months... is increasingly being supplanted by an inhumane and illegal deportation process which threatens to accelerate in the light of a governmental decree that residency permits of all non-Kuwaiti citizens will expire at the end of October."

Kuwait has detained at least 5,800 people in the six months since the Iraqis were driven out by the allies, and 3,000 remain in detention, including at least 300 being held incommunicado, according to Middle East Watch. Most of the victims are Palestinians, Iraqis or stateless Arabs known as the bidoun.

It said that one Kuwaiti cemetery at al-Rigga holds 54 unidentified bodies of people who have been killed or have died in unexplained circumstances since the week after liberation.

A Victory Turned Sour: Human Rights in Kuwait Since Liberation. Middle East Watch/Human Rights Watch, 485 Fifth Avenue, New York, NY 10017-6104.



President Aquino at yesterday's attempt in Manila to rally people power in support of US bases

MRS CORAZON AQUINO, the Philippine president, yesterday proposed that a plebiscite be held on a US bases treaty now facing rejection in the country's senate, writes Greg Hutchinson in Manila.

Late last night, the upper house met to consider a proposal that would allow about five senators currently opposed to the treaty to cast a yes vote conditional on the pact being approved by a popular vote. Twelve of the 23 senators are known to be against the pact, which needs 16 votes to pass.

Mrs Aquino's attempt to lead a rally in support of the treaty, which requires acceptance by Monday when US leases expire, attracted less than 50,000 people instead of the 500,000 expected, an indication of the wane in people power, the force that helped topple the dictatorship of Ferdinand Marcos 5½ years ago. In an echo of Mr Marcos's politics of manipulation, most of the people at the demonstration arrived by bus and had their meals provided.

Underlining the groundswell of nationalism, demonstrators opposed to the bases thronged the streets outside the senate building last night. The demonstration appeared far more spontaneous and was at least as large as the government-financed rally.

Gen Lisandro Abadia, head of the armed forces, accused senators rejecting the bases treaty of taking the line of the country's banned Communist party. But he denied there was substance to rumours that the military might launch a coup to reinstate the Americans. President George Bush has reiterated that there would be no new concessions to entice an eleventh hour ratification by the Philippine senate. After 15 months of negotiations, in which the US made significant concessions, Washington is disinclined to talk further, diplomats say.

NEWS IN BRIEF

Kaifu battles for electoral reform

PRIME Minister Toshiki Kaifu, risking his political future, appealed to parliament yesterday to back his plans to overhaul Japan's cash-driven electoral system, Reuter reports from Tokyo.

Legislators, after weeks of hearings on stock market scandals, finally began to tackle the main business of the current parliamentary session - debating Mr Kaifu's election reform proposals.

"I am determined to pass...a package of three bills in order to create a new political system," Mr Kaifu told the lower house.

The premier wants to extend his term in office when it expires in late October but leaders of the ruling Liberal Democratic Party (LDP) hope to replace him.

The success or failure of the reform programme may well determine who wins the leadership battle.

"I hope you will pass these bills after sufficient deliberation," Mr Kaifu appealed to legislators in Tuesday's session, kicking off several weeks of debate.

Mr Kaifu's package consists of two bills to reform the election law and political funds law and a third calling for controls on political parties. The government hopes to have them passed by the end of the parliamentary session on August 4.

The package involves converting the powerful lower house's 130 multiple-seat constituencies into 300 single-seat districts. The remaining 171 seats would be decided by proportional representation.

Bond tells of guarantee

MR Alan Bond signed a personal guarantee for a $340m (£201m) loan that both he and the banks knew could not be repaid, the Australian tycoon told the Supreme Court of New South Wales yesterday, Reuter reports from Sydney.

Mr Bond said he believed the guarantee would not be enforced because of an assurance from the then-chairman of the Hong Kong and Shanghai Banking Corporation, Mr William Purves. Mr Bond is challenging bank action to wind up his private company, Dallhold Investments. The case could ultimately result in bankruptcy for the former chairman of the Bond Corporation.

Hongkong and Shanghai Banking Corp, Bank of New Zealand and Tricontinental Corporation are seeking to enforce a $194m guarantee given by Mr Bond in 1990 on a $340m loan to fund the *Greenvale nickel project in Queensland*.

Hong Kong court finalised

Hong Kong's proposed *Court of Final Appeal, one of the most* important issues needing to be resolved before the 1997 transfer to China, has been finalised and its establishment is expected to be announced later this month, writes **Angus Foster in Hong Kong**.

The court, which will replace the Privy Council in London as the highest appeal court, could take more than a year to set up but should be ready late next year or in 1993.

Hanoi praises China ties

Mr Nguyen Manh Cam, Vietnam's foreign minister, yesterday described his visit to China as a symbol of the complete normalisation of relations between Hanoi and Beijing, writes Yvonne Preston in Beijing. Mr Cam, was speaking at the start of the first day of talks with Qian Qichen, his Chinese counterpart. While Mr Cam made it clear Hanoi sees no bar to resumption of full ties, an official announcement from the Chinese side is not expected until the end of this week's talks. China has signalled agreement in recent official statements.

Beijing slows down building

China, tightening credit amid a trend in growing domestic debt defaults, has ordered reductions in new building projects, the official China Daily newspaper said yesterday, Reuter reports *from Beijing*.

The move signalled a firm commitment by Chinese leaders to crack down on debt-ridden state enterprises that are mainly responsible for the building boom, western diplomats said.

Burma junta's 10-year plan

Burma's military junta, which crushed an uprising for democracy then ignored the results of a general election, says it could hold power for 10 more years, Reuter reports from Bangkok.

"We cannot say for how long we will be in charge of the state *administration. It might be five years or 10,"* junta member, General Aung Ye Kyaw, told government officials in the northern city of Mandalay. He reiterated the military's position that it would not transfer power until a new constitution was in place.

Hurd's visit to Kenya will highlight a nation divided

MR DOUGLAS HURD, the British foreign secretary, arrives in Kenya today for a two-day visit to Britain's most favoured former colony and the second-largest recipient of British aid in sub-Saharan Africa, writes Julian Ozanne in Nairobi.

He will find a nation gripped by politically explosive newspaper headlines, most recently *devoted to* President Daniel arap Moi attacking multi-party advocates as "anarchists" and accusing them of a plot to give marijuana to youths *to* incite them to demonstrate.

He will be told about growing fears among Kenya's international donors about the concentration of wealth in the hands of politically connected businessmen and mounting government corruption.

And, if Mr Hurd meets the government's critics, he will find deep discontent with Britain's failure to implement a policy, first announced by the foreign secretary himself: linking British aid *to* democratisation, clean government and respect for human rights and the rule of law.

Since the birth last year of the pro-*democracy movement, a collection of* former politicians, lawyers and clergymen, things have never been quite the same in Kenya – a country which for years was praised as a peaceful, pro-western bedrock of stability in an otherwise turbulent region. At least 20 people were shot dead in three days of riots last July, after the government detained a number of pro-democracy advocates. Since then the government has been under constant pressure to implement the kind of democratic political changes happening in other parts of Africa.

Mr Moi, however, has nailed his colours firmly to the mast of the one-*party state. The president argues that* multi-party politics would degenerate into tribalism.

The government's critics say this is an excuse for perpetuating rule by an undemocratic élite. They say that Britain's quiet diplomacy *has failed* and they want Mr Hurd to cut British aid, worth £42m last year.

It is unlikely that Mr Hurd will respond to these demands and most British officials believe the opposition goes too far. More worrying, perhaps, to the British government is the growing evidence of corruption and the concentration of wealth in the hands of senior government officials. Mr *Nicholas Biwott, the powerful minis*ter of energy, was accused recently of allegedly asking an Italian company for a £1.7m bribe. Trade with Kenya amounted to £380m last year and there is at least £1bn of British investment.

Concern is also growing about the scale of takeovers of large local and foreign private companies by Asian businessmen believed to be acting as front men for senior government figures. Mr Hurd will not go into detail about these matters. He is more likely to encourage the government to move towards a more open political and economic system and reassure it of *continued British goodwill* while reminding it that the world has moved on and that nations which stand still do so at their own peril.

UK NEWS

Receivers seek buyer for failed ticket agency

By David Churchill and Norma Cohen

RECEIVERS for Keith Prowse, Britain's largest ticket agency, which went into liquidation on Monday with debts estimated at £7m, have until the end of the week to find a buyer or face a revolt among London theatres and others who are so far honouring agency tickets.

Mr Malcolm Shierson, one of the joint receivers from Grant Thornton, said last night that they had received a "phenomenal" amount of interest yesterday from companies interested in buying all or parts of the group.

"But we are aware that there is a deadline of another 48 hours by which time we have to show something positive for our efforts which will persuade the theatres to stay with us," he said last night.

Receivers were called in to Keith Prowse after two potential buyers pulled out on learning that the diversified ticket agency's losses for the last year were "substantially" larger than the £3m estimated earlier.

The buyers realised that Keith Prowse would need to borrow about to £6m to see it through to the year end, in addition to some £6m it has outstanding. The accountants' report, still in draft form, covered the year to end June 30, 1991.

Keith Prowse's difficulties stemmed, in part, from its ill-fated attempt to import UK-style hospitality events to the US market. The company invested some £5m in the venture since the early 1980's and lost all of it.

Keith Prowse's consolidated accounts for the 18 months ended June 1990 show that its US subsidiary owed over £4m to the parent company, nearly double the level at the end of 1988.

The company had an office in New York and another in Atlanta, Georgia, and attempted to interest Americans in attending sporting events in style, in addition to offering the service at sporting events such as the American football superbowl.

Keith Prowse's difficulties were exacerbated by the sharp fall-off in tourism during the Gulf War and by reduced demand for corporate hospitality by UK businesses pinched by recession. But the company's difficulties pre-date that period.

Borrie voices concern at EC policy

By John Willman

SIR Gordon Borrie, director general of the Office of Fair Trading, voiced concern yesterday at decision-making on EC merger policy and said decisions by competition commissioners had been overridden.

Speaking at a Confederation of British Industry conference on European Community and UK competition law and policy, Sir Gordon questioned the role of the EC College of Commissioners, which helps formulate policy.

"Anxiety arises because some commissioners may favour the Euro champion idea or be influenced by considerations of regional policy and allow an anti-competitive measure," he told the meeting.

He said, however, that only the European Court of Justice could overrule decisions on competition policy, and that would require an appeal by a member state or an interested party. This was unlikely given the process.

Sir Gordon also warned advisers to company mergers against trying to "bounce" the OFT into giving approval in advance to proposals which could be referred to the Monopolies and Mergers Commission. He said that the voluntary pre-notification procedure for UK clearance of straightforward mergers had been welcomed.

Democrat elder statesman faces a grilling

MR Clark Clifford, the former US secretary of defence, has denied that he knew First American Bancshares, the Washington-based bank, was controlled secretly by the Bank of Credit and Commerce International (BCCI).

Mr Clifford, who resigned last month as chairman of First American, has issued the denial on Page 268 of his recently published 700-page memoir.

BCCI's control of First American, which was revealed by the Federal Reserve in July, has dented the image of the 85-year-old Democratic fixer, elder statesman and kingmaker. But his situation has been complicated by the fact that for several years he served not only as First American chairman, but also as a lawyer and lobbyist for BCCI. In his memoir he calls the scandal "an unfortunate controversy".

This morning Mr Clifford – who is being investigated by US prosecutors to see if he misled bank regulators about the actual ownership of First American – will have to do more than dismiss the scandal as "unfortunate". He and Mr Robert Altman, his one-time protégé who resigned as president of First American last month, will face a Congressional grilling before the House banking committee, which is probing the BCCI affair.

Clark Clifford: the BCCI scandal was "an unfortunate controversy"

The appearance of Messrs Clifford and Altman, who made millions of dollars in the 1980s by borrowing from BCCI to buy and sell shares in the holding company that owned First American, kicks off what promises to be an autumn filled with BCCI hearings in the House and Senate, more indictments from grand juries in four US cities and revelations about the involvement of BCCI in arms and drug deals.

The BCCI affair reached a fever pitch in Washington in August, just weeks after the bank was shut by the Bank of England and authorities in six other countries, and days after Mr Robert Morgenthau, the Manhattan district attorney, brought the first fraud charges against Mr Agha Hassan Abedi and Mr Swaleh Naqvi, BCCI's founder and former chief executive respectively.

Mr Naqvi was indicted again last week, this time by a Florida grand jury on charges of racketeering and the laundering of drug profits from the Medellin cocaine cartel in Colombia. And in a move that has perplexed BCCI investigators all over the world, the government of Abu Dhabi this week arrested more than 30 former top executives, including Mr Naqvi.

The arrests are curious because Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi, who along with other institutions owns 77.4 per cent of BCCI, has protested against the bank's seizure.

The newest US indictments were proclaimed with much fanfare last week by the Department of Justice, which has been stung by criticism that for years it had failed to act on a series of explicit warnings from US investigators and bank insiders of criminal wrong-doing.

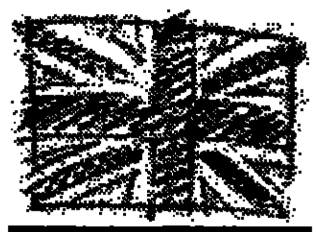
Senator John Kerry, the Massachusetts Democrat whose Senate foreign relation sub-committee has led Congress into the BCCI affair, is also planning new hearings within the next four weeks.

These will provide Messrs Clifford and Altman with a second opportunity to make their representations, but they are also expected to bring auditors from Price Waterhouse before Congress for the first time.

The Kerry investigation is also looking at arms and drug deals involving South American central bank officials and heads of government and at the involvement of the Central Intelligence Agency (CIA) with BCCI.

Alan Friedman

BRITAIN IN BRIEF



Union loses vote over Nissan deal

Workers at a subsidiary of Nissan Motor Manufacturing UK, the British division of the Japanese car maker, have voted against the AEU engineering union being given a recognition deal.

Nissan Yamato, a pressings manufacturer in which Nissan Motor has a majority stake, told the AEU it would negotiate a single union agreement with it if a majority of its non-managerial employees were in favour. The vote is a setback for the union which already has an agreement with Nissan Motor to represent some of its workers.

Call for review of security

Unionist politicians have demanded a thorough review of security at Short Brothers, the Belfast aircraft and missiles manufacturer, after the seventh IRA bomb attack on the company in two years.

An explosion, followed by a fire, caused extensive damage to an administration block at the company's east Belfast factory, but a warning had been given and hundreds of employees safely evacuated.

Gas consumers may pay more

Gas consumers may pay an extra £1.50 a year from April, to help improve poorly insulated homes, according to Ofgas, the gas industry's watchdog. Mr James McKinnon, the agency's director general, said that up to £50m could be raised annually.

Vauxhall raises car prices

Vauxhall, the second-placed car maker in the UK new car market, has raised the prices of a substantial part of its range by an average of 2.5 per cent. The increases follow the move taken late last week by Ford, the UK new car market leader, which raised the prices of much of its range by an average of 3.9 per cent. Vauxhall has already raised its prices once this year by an average of 3.6 per cent in January.

Power groups combine forces

Three regional electricity companies have joined forces with Combined Power Systems (CPS), the energy systems manufacturer, to market discount electricity.

London Electricity, Northern Electric, and Norweb, have each formed 50-50 joint ventures with CPS to sell combined heat and power units, which generate electricity and heat from a single source on a customer's site, and at a much higher efficiency rate than a conventional system.

N Ireland in jobs boost

Hyster, US fork-lift truck manufacturer, is creating 340 new jobs in Northern Ireland in a £31m investment programme supported by the province's Industrial Development Board.

Plans for port is unveiled

National Power, the electricity generator, unveiled plans to build a new 5m tonne port facility at Bristol by 1993. This will give the company the option of importing more cheaper coal when its long-standing contracts with British Coal expire at the end of March 1993.

Teachers work longer hours

Teachers are working longer hours but spending less time in the classroom, according to a union survey. Teachers are working almost 52 hours a week on average - 39 minutes more a week than in a similar survey in 1990. However, while teachers are working longer, the time spent teaching has fallen by over an hour a week.

Office fringe benefits cut

Fringe benefits for office workers have been reduced over the past three years as employers have found competition for staff has declined, according to the latest survey of over 500 organisations.

In 1988, 86 per cent of companies offered their office workers life or accident insurance; this has now dropped to 75 per cent. Medical insurance schemes have dropped slightly from 64 per cent to 62 per cent, and discount buying facilities are now offered by 36 per cent of companies, compared with 48 per cent in 1988.

Recession hits hotel industry

The UK hotel industry is unlikely to recover from the impact of the Gulf war and recession until 1993 at the earliest, a survey has found. Hotel consultants Horwath Consulting, part of the Stoy Hayward accountancy group, say that the severity of the recession in the US and other countries meant that rapid recovery after the Gulf war "could never seriously have been expected".

College gets funding

A new type of university college is to be built in north-east England on Teesside, the largest conurbation in Britain without a university. Its buildings will be financed by the government's Teesside Development Corporation and run jointly by Durham University and Teesside Polytechnic. The government has approved £8.4m funding of the first stage of the university college.

UK monarch to visit assembly

Queen Elizabeth will visit the European Parliament in Strasbourg next year. She will address the assembly and will visit the Council of Europe, which is also based in Strasbourg. It will be the first visit by an EC monarch to the parliament.

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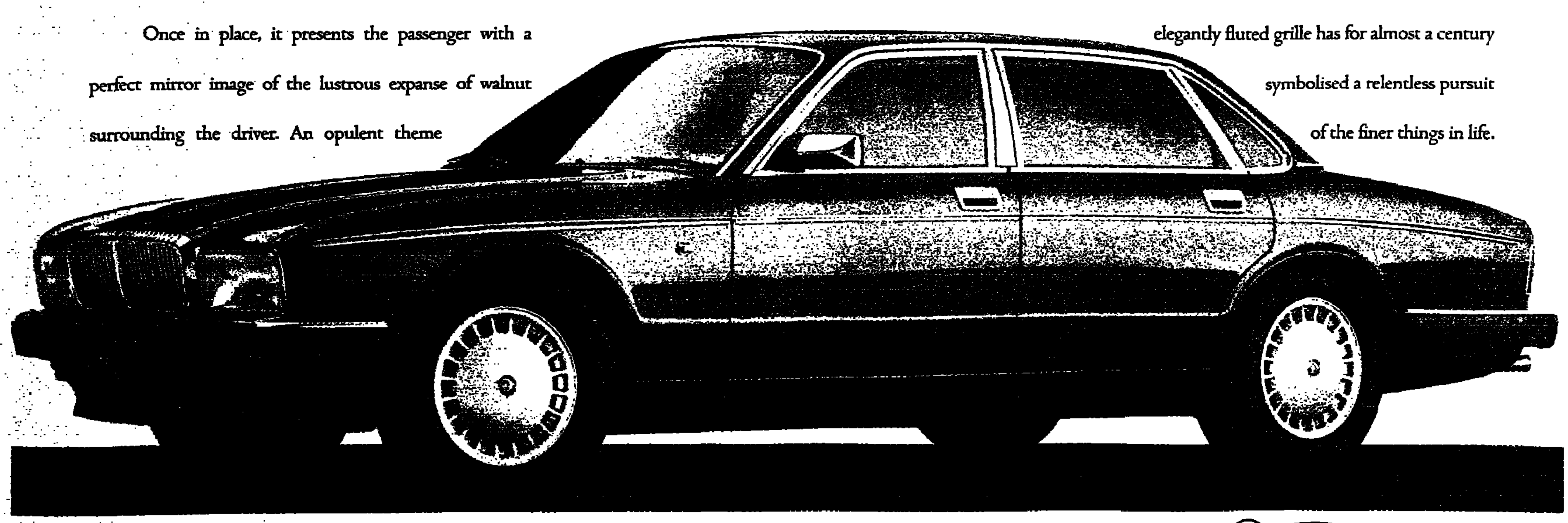

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Labour issues warning on consumer boom

By Ivo Dawnay, Political Correspondent

BRITAIN'S opposition Labour party yesterday signalled a significant tactical shift in its attacks on Tory economic policies by warning that Britain now faces a return to a short-lived boom fuelled by consumer-credit, set to be followed by a new downturn.

The warnings, the first tacit acceptance by the main opposition party that recovery may be underway, came as the Liberal Democrats also opened their own onslaught on government "short-termism" at their annual conference.

Evidence of the impact of improving economic indicators on the pre-election manoeuvring came in speeches by Mr Neil Kinnock, the Labour leader, and Mrs Margaret Beckett, the treasury spokesman. Both avoided challenging government claims that a recovery was in sight, preferring instead to predict a rapid return to the "boom-and-bust" cycle.

In Bournemouth the Liberal Democrats' conference approved a package of radical measures in what amounts to the party's first comprehensive economic policy.

Refusing to comment on his likely tactics in the event of a hung parliament, Mr Paddy Ashdown, the party leader, instead tried to shift the spotlight to the package which he claims represents a significant advance in the party's economic credibility.

Among the measures are efforts to limit politicians' involvement in economic decisions through decentralised pay bargaining and an independent central bank, a tough competition policy, the setting of a national savings target and swift movement towards a single European currency.

Mr Alan Beith, the party's Treasury spokesman, told representatives that under the Tories the economic debate had been reduced to a single question: "When will it end?" and described Mr Norman Lamont, the chancellor of the exchequer, as being in "waiting-for-Father-Christmas mode". Labour's conversion to free enterprise was "dictated by events rather than beliefs," he said.

In an effort to head-off Liberal incursions into the Tory vote, Mr Chris Patten, the Conservative party chairman, used a speech in Southampton to accuse the party of being ready to barter their votes "in return for a few crumbs from Labour's cabinet table".

"Voting Liberal Democrat could once again, as in 1974, let Labour in by the back door," he warned, adding that the party would bring in a range of new taxes and end the capping of local government spending.

Liberal Democrats urge aid package for Soviet Union

THE Liberal Democrats yesterday urged the government to give the Soviet Union massive food aid and technical assistance.

Lord Bonham-Carter, the party's foreign affairs spokesman in the House of Lords, condemned government insistence that economic aid would only follow economic reform, and said such reform could only be introduced if it was backed by aid.

In a short debate which emphasised human rights in the Soviet Union, Mr Menzies Campbell, the party's defence spokesman, told the annual conference in Bournemouth that those trying to fill the void left by the dissolution of the Communist party were facing severe problems with a rudimentary infrastructure and a damaged environment.

Spelling out the opportunities for democratisation and nuclear disarmament which the failure of the coup had brought, he urged western Europe to help to bring stability to the republics.

"We once used an air lift to ensure the continued existence of Berlin against the Soviet threat. Now we need a massive air lift to secure the existence of the people of the Soviet Union."

Police braced for further violence on estate

By Chris Tighe and Ralph Atkins

RIOTING on an estate in North Shields, north-east England, early yesterday erupted spontaneously and was controlled by the police with minimum injury, Mr John Major, the prime minister, was told last night.

However, the police were bracing themselves for further violence amid rumours that public buildings and shops would be targeted by rioters. Eight people had earlier been arrested following the disturbances on the Meadow Well estate.

The scenes of mayhem, which the Home Office believe were not preplanned, followed rioting in the past two weeks in three other cities, Cardiff, Oxford and Birmingham, adding to a picture that has become reminiscent of riots in the summer of 1981.

Mr Major, however, said the latest riots, "all seem to have a different genesis and one often gets this copy cat effect. . . It is just not an acceptable way for people to behave."

On Monday night about 200 police, including members of the Special Patrol Group, struggled to bring the riot under control. Many local people claimed the police had kept away from the area for five hours while the riot was in progress - an allegation denied by police.

The sister-in-law of one Asian shopkeeper said she was told, "we can't do anything" when she repeatedly rang the police in response to a call for help from her terrified relatives.

Mr Doug Henderson, a local Labour party MP, said the rioting in North Shields showed, "law and order has broken down and that crime is out of control in many parts of the region". This week Northumbria reported crime levels among the highest in Britain.

Mr Roy Hattersley, opposition spokesman on home affairs, said the public had to be defended, but believed that, at least in part, "these outrages were a product of the despair that comes from unemployment".

The government backed the action taken by Sir Stanley Bailey, chief constable of Northumbria, who was praised by officials for his commitment to community policing.

Sir Stanley said the police had deliberately avoided injury to police or civilians. "I would much rather we kept the iron fist inside the velvet glove," he said.

Community policing was not easy, he acknowledged. "It's very difficult on some estates where people feel bottom of the pile."

Anger erupts in desolate northern suburb

Chris Tighe on the background to riots which wrecked property on a housing estate

BY burned out shops a knot of indignant teenagers, one cradling a baby in her arms, assess the riot which the night before devastated some of the meagre amenities available to residents on the Meadow Well estate, in North Shields, north east England.

The teenagers insist that the cause of the uproar, in which 300 youths armed with petrol bombs rampaged for five hours, lies in a car crash last Friday night in which a local 17-year-old and his 21-year-old friend died following a police chase.

From the Meadow Well estate many aspects of life look different.

A few miles along the River Tyne, at the glitzy MetroCentre shopping arcade, the tills are ringing, but many Meadow Well residents have never been there. Throughout the region, in new Japanese factories and the surviving heavy industry, investment in skills and new technology is the key to success.

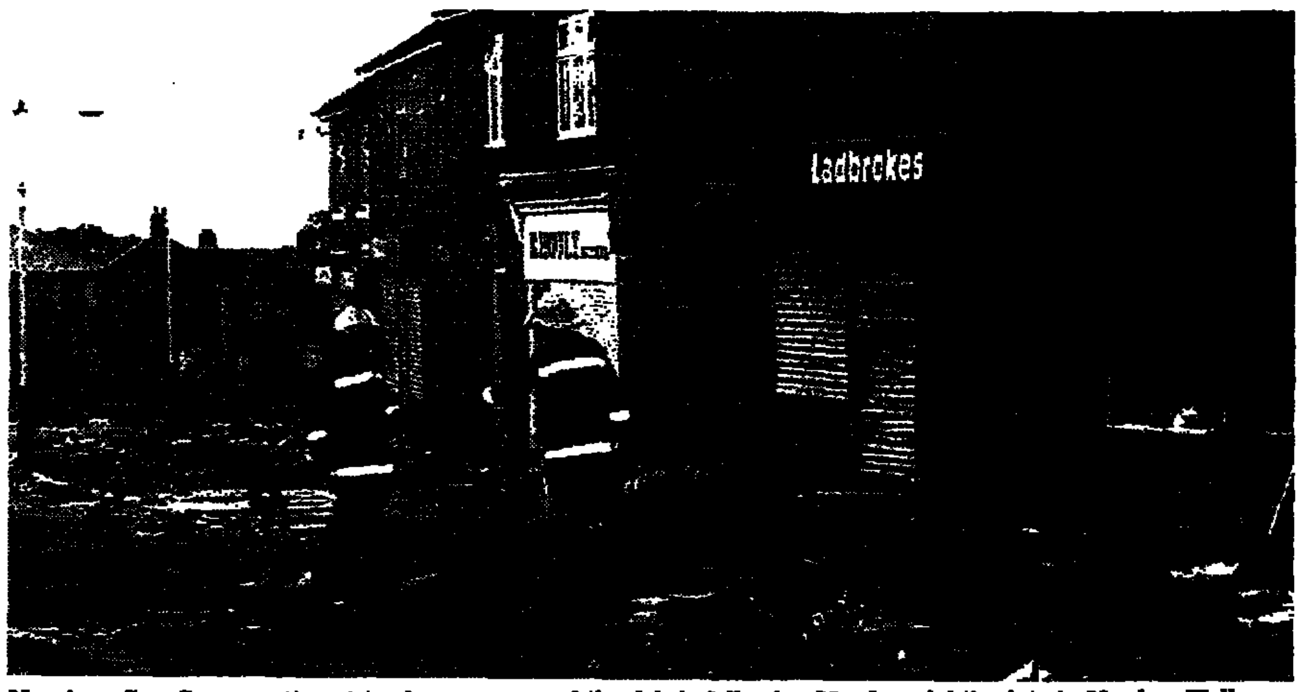
The labourers which Meadow Well used to provide are no longer needed. In parts of North Tyneside, only a handful of schoolchildren qualify for clothing grants: at the Meadow Well primary school it's 100 per cent.

Among the Meadow Well's 5,000 residents there remain people such as local credit union founder Mrs Margaret Nolan, struggling against great odds to bring some hope to the area.

She refused yesterday, as she clutched the keys to the Community Rights Centre, to be down-hearted.

"What happened last night was wrong but it can't be put right just by blaming the people here," she says.

But many people on Tyne and Wear, exasperated by the county's horrendous and escalating rate of car crime, are happy to dismiss the entire population of estates like the Meadow Well as scum. It is just one of a number of estates in the north east of England beached by economic and social change, whose notoriety guarantees their isolation.



Morning after: firemen attempt to clear up some of the debris following Monday night's riots in Meadow Well

Property upgraded during the past 20 years using investment worth £18m was promptly wrecked by vandals.

Government hopes of upgrading council estates through pride in home ownership look unlikely: fewer than 10 of the 1,770 dwellings have been sold, and 27 per cent are empty and boarded against wreckers.

Nearly a quarter of all the children on North Tyneside's 'At risk' register live here, and recently social workers have increasingly had to deal with terrified people reporting death threats from neighbours.

Estimates of unemployment on the estate vary between 30 per cent and 82 per cent and many young people, the product of homes where nobody has worked for years, have no expectation of ever being in work.

In an attempt to change this, and to defuse criticism that it is providing jobs and homes for the middle classes, not deprived areas, the Tyne and Wear Development Corporation is starting pre-recruitment training courses in problem estates, including Meadow Well.

But the business people in the front line are the small shopkeepers, trying to make a living on a poverty-line estate.

The worst affected are the Asian shopkeepers who sell tobacco and alcohol. One family, who live above their shop, had to take refuge in a nearby house as gangs looted and burned their premises.

Some premises survived the riot – for now. But the air of hopelessness hangs heavy.

Parties seek US advice on how to win votes

By David Owen

BRITISH opposition parties have followed the Conservatives' in seeking advice from US political and communications consultants in the run-up to the general election.

All three leading political parties have established contacts with transatlantic companies offering advice on how to win votes.

Labour's contact with the US companies is Mr Philip Gould, a central figure in the party's Shadow Communications Agency (SCA). Those in touch with Mr Gould have included:

- Mellman & Lazarus, a Washington-based political strategist, which has worked for Mr Boris Yeltsin, president of the Russian republic, and Mr Cesar Gaviria, president of Colombia.
- Sally Hunter Productions, a New York-based group which advised on Labour's 1987 party political broadcast.
- Napolitan & Associates, a New York political strategist which has done work for British trade unions.
- Doak Shrum Associates, one of the most experienced companies of consultants to the US Democrats.

These contacts have been made despite an ambivalent attitude within the party towards accepting US advice directly.

Mr Colin Byrne, a Labour party spokesman, said: "Labour has never consulted American consultants. It is right that Philip (Gould) should acquaint himself with what is happening in America because the Tories are arming themselves with their techniques."

The Liberal Democrats are using Ridder Braden, a Colorado-based company whose clients have included Senators Albert Gore and Gary Hart.

The company has conducted polls and written a book about telephone campaigning for the party.

Finally, the Conservative party still has ties, begun in 1968, with The Wirthlin Group. The Wirthlin Group is best known for its work for Mr Ronald Reagan, the former US president, and other leading Republicans.

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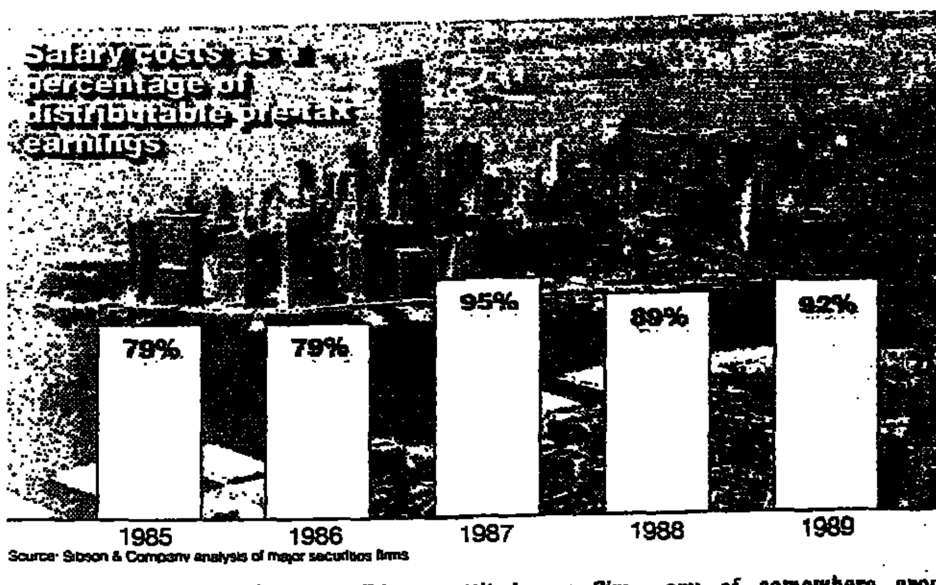
*Source: EBRS 1989

MANAGEMENT

Paying the price of past excesses

Patrick Harverson reports that the US securities industry is reining in salaries and bonuses



Source: Sibson & Company analysis of major securities firms

A 26-year-old Wall Street trader who earned more than *$2m last year is suing* his former employers for not paying him enough. At the same time, the $23m paid to a trader at a rival securities firm continues to embarrass his employers, long after the payment was first uncovered by the press.

The two huge pay cheques were both awarded at the end of a year which was, by most measures, the worst ever for the US securities industry. In *1990 the seven largest broking* houses recorded pre-tax losses totalling $678m, management heads rolled and thousands of employees were made redundant.

At first glance it might look as if little has changed on Wall Street since the boom years of the 1980s, when management handed out extravagant rewards like confetti at a Broadway parade. Yet the lawsuit over the unpaid millions and the blushes caused by the $23m payout are evidence of change, not inertia.

At the height of the bull market in the 1980s the lawsuit would have been unlikely because the 26-year-old trader would have earned *considerably more than $2m*, and the securities firm that handed over $23m would not have blushed quite so red at the size of the payment because few would have regarded it as excessive.

Today, the climate has changed. Senior managers at Wall Street firms have learned their lesson from the 1980s, when pay and compensation ate up vast amounts of revenues. According to Sibson, *a US human resources management* consultancy, between 1985 and 1990 compensation and related expenses accounted for as much as 80 to 85 per cent of distributable pre-tax earnings at the big securities houses.

That might have been acceptable when markets, and profits, were booming. But since the slump in margins and earnings began in 1990, firms have woken up to the need to rein in compensation costs.

The result has been that management is taking a tougher line, especially on the issue of bonuses, which to Wall Street executives have always been the main course after the salary appetiser. Not only are *bonuses now smaller, they are* being shared and paid out differently.

Most important of all, management has learnt that compensation costs cannot be brought under control until an *organised system for allocating* bonuses is introduced to the decision-making process. Vincent Perro, principal with Sibson, says: "Most firms didn't have, until recently, a disciplined approach to making decisions about bonuses based on contributions."

One new approach on Wall Street, says Perro, is to treat bonuses as capital investments, subject to the same kind of rules and scrutiny applied to capital equipment. This means regularly reviewing the return a firm gets from each employee, and then deciding if the return is reasonable relative to what the employee is paid.

Introducing performance assessment is not easy. Judging a trader by his profit and loss account is relatively straightforward, but how do you judge the returns brought in by an investment banker? Not all investment bankers are *responsible for initiating and* completing a deal. Whole teams will work on deals, with everyone making different contributions.

In the past, the solution was to pay everyone involved a *similar share*, which meant that those who processed investment banking deals were paid almost as much as those who originated them.

This practice is now changing, with awards more strictly tailored to revenue production. The "rainmakers" - those who originate deals - still make the big money, but the rest are having to make do with a smaller share of team and departmental bonuses.

This process of sorting out the real revenue earners and paying them a lot more than the rest can create tensions within a firm. Wall Street egos have always been big, primarily because the old system of sharing bonuses enabled everyone to feel like a "Master of the Universe".

Pooled bonuses have not been phased out, but managers have become more careful *about who gets what*, and the size of pools have shrunk under the pressure of slimmer profit margins. Sibson estimates that in 1990, Wall Street bonus pools were cut by 20 to 30 per cent. The decline in *bonus earnings* per head was smaller because redundancies reduced the number of people sharing the cake, but even then per capita bonuses dropped by an estimated 10 to 20 per cent.

Those who were lucky enough to get a bonus last year (in some firms they were frozen), did not always get their hands on it straight away. Firms have been increasingly paying bonuses in the form of stock or stock options (this has the dual effect of postponing payment and binding employees closer to the company), while some have deferred cash payments until a later date.

Implementing change would have been easier this year if the first six months had not proved so enriching for the securities industry. The near-record *profits earned on Wall* Street since January have raised expectations of handsome bonuses among many dealers, salesmen, and investment bankers (at least those involved in the booming business of stock and bond underwriting, rather than the still-stagnant mergers and acquisitions).

Yet employers have had to warn staff not to expect big bonuses. As Joan Zimmerman of GZ Stephens, a New York executive recruiting firm, explains: "Companies are trying to prepare staff for a *different attitude to compensation*."

This new attitude, says Zimmerman, could lead to clashes over pay. "Senior management is cautious [about bonuses], but investment bankers, traders and salespeople are already looking at this year's record profits and trying to calculate their portion of the fees."

Change is not just limited to *the million-dollar earners*. Pay levels are also being altered at the entry level. During the boom years graduates joining Wall Street (especially those from Ivy League universities like Harvard and Yale) could expect a healthy *starting* salary of somewhere around $50,000 a year, plus a guaranteed bonus, often paid up-front as a signing-on fee. Within a year or so the smart graduate could look forward to a package running into hundreds of thousands of dollars.

Not so today. Starting salaries are modest by the old standards (no more, it seems, than $60,000), and bonuses are not paid until they are earned. What securities houses are doing is reviving something that seemed to have died out a long time ago on Wall Street: the apprenticeship.

Czechs remove the stigma from planning

Andrew Jack reports on the difficulties of translating a British business course into an east European culture


Jan Morovic: attention to detail

Ask Jan Morovic a straight question and you get a precision-tooled answer. When did the groundwork begin for his ambitious plan to spread management teaching across Czechoslovakia? "April 26 1990."

When was his first meeting with a consultant from the Open University Business School, whose material he is using? "One month later. *It was raining – and you were 1¼ hours late*," he says, with a mischievous glance towards Brian Lund, the man in question.

It is the sort of attention to detail required from someone who has developed an idea for management training, chosen a model, identified curricula materials, translated and partially rewritten them, trained tutors and recruited his first class of students, all in 16 months.

Morovic, a senator in the Czechoslovak federal assembly, founded the City University of Bratislava in June 1990 with the aim of teaching practical management skills for the *market economy by "distance learning"*. His institution will be officially opened on September 18.

The strategy relies heavily on the pattern adopted by the Open Business School, a faculty within the Open University in the UK. Students learn at home or workplace using audio and videotapes and workbooks, supported by tutors.

This approach, without the need *for heavy central overheads like* full-time teaching staff, has allowed the Open Business School to grow rapidly since it was established in 1983. It currently has 22,000 students enrolled on its management courses, and over 3,000 on the MBA programme alone – more than one third of all British MBA students.

Enrolment spread within three years to Belgium, initially for British people working in the European Community, and then for other nationals. It has since opened centres in France, Spain, Germany, Switzerland and Eire, and plans to expand into Italy and perhaps *Greece and Denmark next year*. Its courses have been marketed under licence to the Budapest Open Management School in Hungary. Now Brian Lund, a consultant with the Open Business School, has helped to develop a partnership with the City University in Bratislava to use the British course materials.

City University has spent about £300,000 so far developing the *courses, paid for through contributions* to an endowment fund from businesses and city and state funding. It has also received £10,000 from a British Foreign Office fund supporting the restructuring of eastern Europe, and is optimistic of receiving a further £90,000.

Each new student will pay £200, compared with £825 for those who take the courses in the UK. The Open Business School has negotiated a royalty fee of £50 for each student enrolled, but is considering reducing the fee.

Teaching management skills will not be easy. It requires the *development of a new vocabulary*. The concept of a "manager", for example, has not previously existed in Czechoslovakia, says Morovic. The nearest equivalent was a "controller", whose responsibility it was to ensure that a state plan was met. "These people had no free space for decisions, but simply fulfilled the plan," he says.

Other new entries to be *introduced into the glossary of business* jargon include mission statements, targets, efficiency, effectiveness and even decision taking, he says.

Some managerial ideas have existed in the past, but have been interpreted in different ways. The word "plan", *for example, is* now heavily stigmatised. Discussing the idea of a strategic business plan sends shivers down the spine of many new entrepreneurs, who associate it with the government plans of the past.

Personnel skills will also present challenges. The concept of managing people in order to bring about *implementation rather than simply* declare objectives is novel, according to Morovic. So is the idea of career development, which was previously considered both impractical and selfish.

At the same time, there is an urgent need for training in such areas as financial analysis. Enterprises must learn how to establish their own pricing structures where *previously the state determined* centrally what could be charged.

The pace and scale of Morovic's approach is extremely ambitious. He recruited 41 English-speaking candidates last autumn, and enrolled them on the basic Open *Business School* course, "The Effective Manager" in October 1990.

They are now helping translate this first module into Slovak, and will begin offering teaching support for it next month. Morovic stresses the importance of scrupulous translation in that it should reflect the spirit of the words. Some examples and illustrations may also be redrafted *to make them* more relevant to Czechoslovakia.

Of the 36 who completed the course and passed in May, 33 are now studying a second module in English, "Accounting and PC for managers". The hope is to translate this course into both Czech and Slovak, along with two others, "Managing Health Services" and "Managing Customer and Client Relations", *for the next academic year*.

"It was very important for us to choose teachers who want to learn a new culture of management, to support the transformation of the whole culture of management," says Morovic. "We picked some *young people who can adopt and* adapt these new concepts." Teaching staff from existing schools with more traditional methods and understanding of business were not selected.

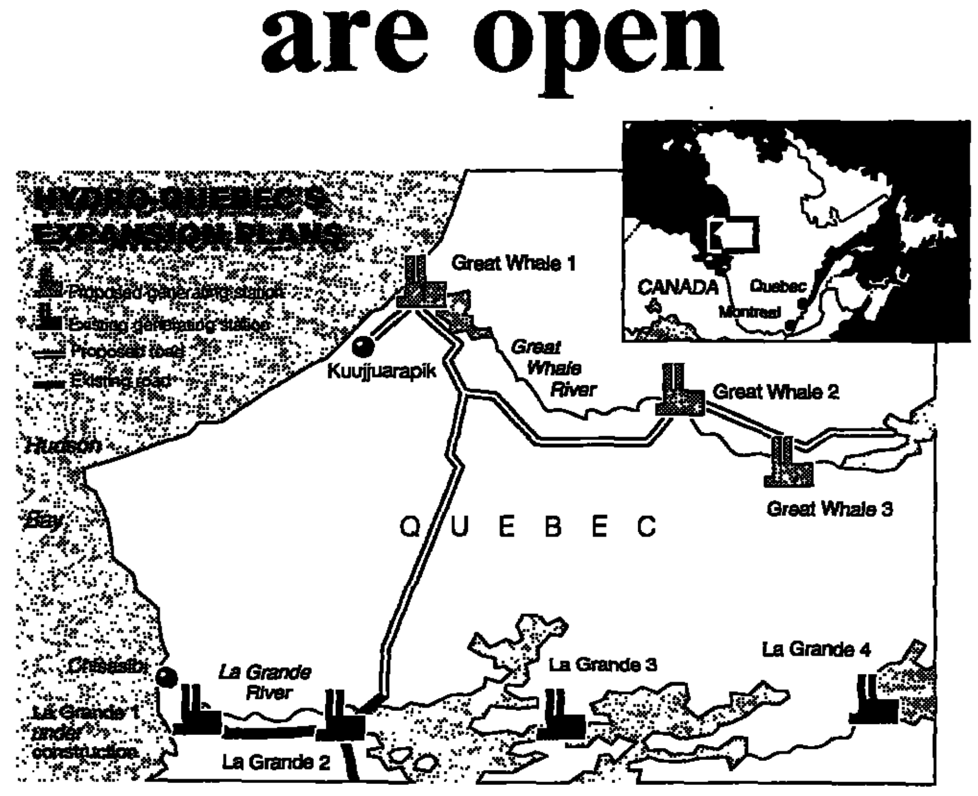
Morovic says his initial target audience includes small entrepreneurs, staff of central and state government bodies and finance and insurance companies. More than 220 students have already enrolled, including recent college graduates and whole boards of senior executives in enterprises. They will spend several weeks learning how to study before starting work on the formal course in November.

Morovic's vision may, as he describes it, "snowball" management training, spreading it rapidly across the country. "The only way central Europe can move is at speed," he says. "But I am concerned about quality. That is why the initial period of the course is very important." It can only be hoped that the snowball does not melt in the haste to put training in place.

BUSINESS AND THE ENVIRONMENT

Bernard Simon on plans to build a hydro-electric grid in northern Quebec's sub-arctic wilderness

The floodgates are open



Measured by the usual standards, Hydro-Quebec should be a darling of the environmental lobby. North America's third biggest power utility generates 95 per cent of its capacity from *hydro-electric dams on* Quebec's fast-flowing rivers, thus providing an abundant, cheap, clean and renewable form of energy.

Far from winning praise, however, the Montreal-based *utility has found itself on the* defensive over its plans to create a huge hydro-electric grid in the sub-arctic wilderness of northern Quebec.

The advantages of hydro-electric power have been overshadowed by *fears that vast* new reservoirs, diverted rivers and an influx of European workers and tourists will cause irreparable harm to remote Cree Indian and Inuit (Eskimo) communities on the desolate shores of Hudson Bay.

The natives have been joined by a plethora of environmental, religious and labour groups in the north-east US, where Hydro-Quebec is selling a growing proportion of its power output. These groups contend that states such as New York and Vermont, which have signed tentative contracts with Hydro-Quebec, would be better off concentrating on energy conservation or supporting local power companies, than supporting Quebec's economy with imported energy.

Hydro-Quebec's opponents chalked up a victory in August when the New York Power Authority and Hydro-Quebec agreed to extend by one year, to November 1992, the deadline for either party to withdraw from a 1,000-megawatt contract due to begin in 1995.

The official reason for the delay is that the recession has eaten into electricity demand, so that the Quebec power will not now be needed as soon as expected. But the extension will inevitably force a closer examination of the ecological impact of the next phase of the development, centred on the Great Whale River.

Hydro-Quebec began harnessing the rivers of northern Quebec in the early 1970s with the construction of the first phase of the La Grande complex around the eastern shore of James Bay (the "toe" at the southern tip of Hudson Bay).

Three generating stations have been built on the La Grande River, producing a total of 10,300MW of electricity. Even this first phase includes some of the world's biggest hydro-electric facilities. The underground machine hall at the La Grande 2 generating station, which houses 16 turbines, is almost half a kilometre long and 47 metres high. The wall of the LG2 reservoir is 2.8km long.

Hydro-Quebec is now in the midst of an expansion on the La Grande and surrounding rivers, which will add another six generating stations and 5,100MW. When this phase is completed, the waters of the La Grande river will produce electricity at *seven different sites* over a distance of 800km.

The C$12bn (£6.1bn) Great Whale project, about 200km north of La Grande, is the next stage of the northern Quebec grid, which could eventually supply a quarter of all North America's hydro-electric power. Located just below the treeline, Great Whale is 1,200km north of Montreal.

Five Cree and Inuit settlements on the coast of Hudson Bay near the Great Whale estuary are accessible only by boat or plane, and winter temperatures average a numbing minus 23 deg C. Although the 4,000 residents now enjoy modern conveniences such as televisions and all-terrain vehicles, many still rely on trapping and fishing for their livelihood.

Hydro-Quebec intends to build three generating stations on Great Whale with a combined capacity of 3,168MW. To provide a strong flow of water to drive 11 turbines, the utility will need to build four dams and divert four rivers.

The dams will flood 3,400 sq km of land. Roads will be built for the first time, opening the area not only to thousands of construction and operations staff but also tourists and outside hunters. The flow of some rivers will increase; in others, it will drop. The volume of fresh water flowing into salt-water Hudson Bay will increase. The warmer fresh water will inevitably change winter ice formations.

Matthew Mukash, community liaison officer for the Grand Council of the Cree in Great Whale, says the natives' main concern is the higher mercury content of the river caused by construction of the reservoirs. This will severely disrupt fishing in the area, and may also contaminate bears and birds which feed off the fish, he predicts.

The natives have a host of other concerns, ranging from the disruption of traplines to the danger of fatal accidents on the newly-built roads. To support their case, they point to *the experience over the past 15 years* at the La Grande project. High mercury levels, which were not foreseen when construction began, have led to a total ban on fishing in the La Grande reservoirs.

The Quebec government has handed out about 4,000 permits to non-native hunters in the La Grande area. "They're *killing off the economic base for present and future generations*," Mukash says.

But Hydro Quebec contends that many of the costs will be offset by benefits, such as jobs in the market economy, and spending by tourists. The utility is also confident that mercury levels in the dams and rivers will eventually subside, allowing fishing to resume within 20-30 years.

Whatever the rights and wrongs of each side's case, the *furore over Great Whale is forcing* a much closer assessment of its environmental impact than Hydro-Quebec's earlier projects.

The first phase of La Grande began in the 1970s without any *prior environmental impact* studies. Hydro-Quebec started monitoring the project's ecological impact soon after, but began only two to three years ago making its findings available to anyone other than a select group of scientists.

A review of the impact of roads and other infrastructure for Great Whale was published last December. A full study of the project itself is due to be released in November. To the annoyance of the Quebec authorities, the federal government in Ottawa has set up its own environmental review.

Hydro-Quebec employs 180 people in its environment division. In an effort to catch up in the battle for public sympathy in the US, it is translating more of its French-language *material into English, and now* regularly sends senior officials to take part in public hearings in the states where it hopes to sell electricity.

Under pressure from environmentalists, the utility also made a significant change a month ago to plans for Great Whale. Diversion plans for the adjacent Little Whale River has been altered to avoid slowing the flow of the ecologically sensitive Nastapoka River to the north. Hydro-Quebec estimates that this change will reduce the flow through the turbines by 43 cubic metres per second, costing it about C$600m in lost revenues over the 50-year life of the project.

The protestors, however, are far from satisfied. New York energy conservation groups say they will accept nothing *less than the cancellation* of the state's contract with Hydro-Quebec. The Cree and their supporters have launched a myriad of court cases aimed at stalling the project.

Barring a slump in demand for power, Hydro-Quebec is unlikely to back away from Great Whale. Robert Bourassa, *the provincial premier, has* made it clear that, as far as he is concerned, the extra jobs and export earnings which will accrue to the province as a whole outweigh the environmental concerns of a handful of remote native communities.

Aluminium gets top marks for publicity

Ken Gooding examines Greek recycling initiatives

Beaming, bright-eyed children are talking about *the environment*. The captivating moment is captured by cameras from three television channels.

The children explain how they collect and sell used aluminium cans, not only to reduce waste and litter but also for the money which buys extra equipment for their school.

The setting is the island of Skyros where the mayor is hosting celebrations to mark Greece's National Aluminium Recycling Day.

It is one more coup in the aluminium industry's campaign to promote the idea that it produces "green" or environmentally friendly packaging. In the propaganda war the aluminium companies are leaving the steel can makers, their main rivals in the fizzy drinks packaging business, well behind.

Later in the day the children play and distribute leaflets about aluminium can recycling as Skyros' mayor makes a speech and introduces 11 other people, mainly local politicians, who also want to have their say.

Like the 17 mayors from other municipalities who have travelled to the island, half an hour's flight north of Athens, the politicians have had to do their homework. By now they are fully aware of the benefits claimed for aluminium cans: that aluminium is particularly suitable for recycling because it can be melted down into new metal again and again without loss of quality; that up to 95 per cent of the energy used in the production of primary aluminium is saved during the remelting process because the original energy invested is preserved in the metal; and so on.

The idea of linking pictures of happy children with a product or campaign is not original. But the Aluminium Association of Greece also used its *national aluminium recycling* day for an innovation: it gathered top executives from the aluminium industry and senior members of the European Commission for a colloquium and exchange of ideas.

The industry put its point of view, the Brussels bureaucrats explained EC ideas about such *matters as recycling*, packaging, waste management, education, energy and taxation – all topics in which the aluminium industry has a vested interest. The Greek Aluminium Association started its can recycling campaign as recently as 1986. In that year 22m cans were recycled. In 1990 the total was up to 110m. Today 24 municipalities in Greece and four communities are running aluminium recycling projects. The association also gained Ministry of Education approval to take the campaign into the schools and now has more than 400 elementary and high schools on its list. It provides information material and technical equipment and keeps in constant touch with teachers and parents' associations.

Europe's recycling rate lags that in China, Hong Kong and Korea, where 90 per cent of used beverage cans are collected and re-used

The Greek armed forces also have aluminium can recycling programmes. For example, special containers for collecting cans have been placed on all the Greek Navy's vessels and in Navy training camps.

The Greek *association* has been able to draw heavily on the experience of the Aluminium Can Recycling Association (Acra), set up to promote the concept throughout Europe by some of the world's biggest producers: *Alcan of* Canada, two US groups, Alcoa and Reynolds, Pechiney of France and VAW of Germany.

These producers are providing money not only to promote aluminium can recycling but also to help put the necessary collection infrastructure in place.

They have good commercial reasons for doing so. Not only does recycling cut their costs, Europe needs the metal. What used to be called western Europe consumed 4.6m tonnes of primary aluminium in *various* products last year while production in the region provided only 3.6m tonnes.

Because it takes so much energy to produce primary aluminium, output of the metal in Europe is expected, at best, to stabilise and might even fall even though consumption is showing a healthy rate of growth. *The industry is* putting its new production plants in areas outside Europe where energy is cheap. Already 61 per cent of the energy needed to make primary aluminium in the western world comes from hydro-electric power – which the industry constantly reminds customers is an inexhaustible and environmentally acceptable type of power.

Aluminium recycling is already well-established in Europe. About 80 per cent of aluminium used in building and more than 90 per cent used in *transport components* is recycled. By these standards the can business is not doing particularly well because the industry estimates that by the end of last year its recycling rate was running at about 20 per cent. However, this brought in 25,000 tonnes of used aluminium cans.

Europe's recycling rate lags that in China, where 90 per cent of used beverage cans are collected and re-used. Hong Kong and South Korea also achieve 90 per cent, and more than 60 per cent of aluminium cans are recycled in the US and Australia.

Europe is doing its best to catch up. Recycling rates are growing by 25 per cent a year and events like Greece's recycling day should increase public awareness. The industry is certain that by 1995 at least half of all aluminium cans sold in Europe will be recycled.

It also expects that the efforts to promote recycling will have another spin-off – aluminium's *share of* the beverage can market will increase even further and that Europe might even follow the US example. More than 95 per cent of the 90bn cans of beers and soft drinks sold in the US each year are made of aluminium – and that uses a lot of metal.

ARTS

TELEVISION

Night-time diet of US pop and corn

On a pillar like that of Simeon Stylites stands a statuesque blonde, dressed like Superwoman in the colours of the American flag: red and white headband and sequinned bustier, blue stretch satin knickers, white knee pads and boxing boots. She is holding a large rubber shield. Thirty or 40 feet away stands another woman, done up like Tweedledum or an American footballer, with crash helmet, visor, and padded one-piece suit. She takes hold of a rope, swings through the air like Tarzan, and crashes into the blonde who staggers around her tiny platform but avoids falling. There is ecstatic applause from the studio audience.

To the left another pair of women go through the same performance, but in this case the stylite is knocked from her pillar to land on deep rubber cushions. The "event" has lasted about five seconds, though it took three or four minutes to set up, with explanations from not one but two presenters, and it is followed by long and earnest discussions between presenters and contestants about how things went. They could not be more serious, nor more detailed in their analysis, if this was a world chess championship or a Wimbledon final rather than a po-faced American version of *It's A Knockout*.

The scene is not familiar to you? You have never watched *American Gladiators*? What on earth do you get up to at two o'clock on a Saturday morning? Perhaps you live in one of the ITV areas where the programme is not shown... or maybe the early hours of the morning are not your favourite viewing time. For insomniacs and shift workers who do like to watch through the night, the material provided by British television proves to be weird and wonderful – though only for a week or so. After that it becomes intolerable, being aimed almost exclusively, it seems, at teenagers who are assumed to be either drunk or mentally deficient.

There are exceptions to this rule for those of us with satellite dishes. At any time of the night we can switch to Sky News and, within a short time, see a news bulletin with, between times, all sorts of features and reports including American news programmes from CBS. Furthermore Sky Sports was staying on the air last week until 3.00 am or so to bring us the US Open Tennis Championship from Flushing Meadow, so we were able to lounge around in the middle of the night watching the terrifying Monica Seles beat Jennifer Capriati who proved even more frightening because, at 15, two years younger than Seles, she came close to winning. Better still, we could watch Jimmy Connors, 39, like some old knight in the lists, needing to be winched into the saddle but then, with the euphoria of the crowd, losing his stiffness and finding that he could still do all his old tricks and beat just about every young challenger in the contest. It made splendid inspirational entertainment.

It was the exception, however, which highlights the rule, the rule appearing to be that late night television must be very cheap. What that, in turn, means is that it is more likely than not to be a programme offering free promotion to movies or, above all, rock music. Switch on at random any night of the week between midnight and, say, five in the morning and you are more likely to find yourself watching a video – of Cher, M.C.Hammer, Madonna – than anything else. This is most likely of all for dish owners because two of the all-night satellite channels, MTV and Lifestyle, are devoted entirely to rock videos.

Even if you stick to terrestrial television, pop music is still a staple. *The Hit Man And Her* is a series recorded in clubs and presented by a middle aged man in a grey suit teamed with a pert girl in a bathing costume and little black shorts. In London it goes out on ITV at 4.15 on Sunday mornings and this week, shortly after 5.00 am, he and she were, more or less, holding up a sheet in a club in Redruth while two boy/girl couples behind it competed to see which pair could swap clothes fastest. It probably seems hilarious if you are 16 and full of Grolsch. *Bhangra Beat*, shown by ITV three hours earlier, pursues racially separate development in pop music in Britain with the same dedication that British broadcasters have always opposed apartheid in South Africa.

Raw Power at 3.35 on Saturday mornings brings you an hour of heavy metal – well, that is what last week's edition did, anyway, with painfully loud stuff from Megadeath, Anthrax and the like – then at 2.15 on Thursday mornings and again at 4.30 am on Fridays you can watch Kasey Kasem (who makes Alan Freeman look youthful) presenting *America's Top 10*. And that brings us to the second striking point about Britain's all-night television: most of it is American.

In many cases, of course, this is unremarkable. For decades we have been watching action drama from the US such as the vengeance series *The Equalizer* (currently screened in London and some other ITV areas at one o'clock on Wednesday mornings), American comedies such as *Coach* (an unfunny series about an egocentric sports teacher showing at 1.45 on Sunday mornings) and movies such as the 30-year-old John Wayne Western *The Comancheros* which was seen on much of the ITV network between 12.15 and 2.15 am last Thursday.

But what are we in Kentish Town supposed to make of a series which habitually employs phrases such as "And now! The number one film in multiplexes and drive-ins from coast to coast"? From Blackpool to Scarborough? Hardly, because we are told later – in the programme called *CinemAttractions* (thirtysomething has a lot to answer for) – that we are about to "count down the Top 10 films in the popcorn palaces and passion pits of America". The programme appears to be nothing but a sequence of free plugs for current movies, and if the ITV companies are not charging the film makers for showing them they jolly well should be.

The ominous factor, however, is the casual assumption by the broadcasters that British viewers can be put onto a diet of American culture without any modifications or explanations. In the 8½ hours between nine o'clock in the evening this coming Friday and 5.30 the next morning, ITV in London will show a 30-minute British news programme, a one-hour British rock programme, and eight American programmes lasting seven hours. This will include, at 1.05 am, *Rescue 911*, an ambulance-chasing series which literally chases ambulances (and fire engines and police cars) in order to peer at people as they are having heart attacks, or are trapped in fires. Last week one of the casualties we followed all the way into the operating theatre died on the table.

Many readers will never have seen any of the programmes mentioned here, but it would be unwise to assume that they can be safely ignored and left to meander along in the distant tributaries of the night, presenting no threat to the more demanding viewer of peak time schedules. Experience over the last 10 years suggests that what is used to top up remote tributaries today may well be diverted into the mainstream tomorrow – especially if it is cheap and the language used is English, or something proximate. The temptation to start bringing in rubbish of this sort to the main schedules once the Government's demented scheme for auctioning ITV franchises has begun to have its effect may well be too powerful for some broadcasters to resist.

Given the ratings that used to be achieved by *It's A Knockout* the lure of Knock-The-Lady-Off-The-Pillar could prove irresistible in a post-auction world.

Christopher Dunkley

Suitable for short-term insomniacs: 'American Gladiators'

Dresden Staatskapelle

ROYAL ALBERT HALL/RADIO 3

The best of the foreign orchestras always tend to congregate at the end of the Promenade season. This year the last fortnight has brought three notable visitors: a disappointing Orchestre de Paris, the Boston Symphony Orchestra and, in its first ever appearance at the Proms, the Dresden Staatskapelle, which gave two appreciable concerts.

This is a most cultured orchestra. There is nothing showy or glossy about it, certainly not as far as its rasping brass section is concerned; but the Dresden sound acquires a beauty of its own from the classical sense of proportion that informs all the orchestra's playing. There is an innate sense of how to balance and weight each phrase that distinguishes an orchestra with the noble tradition of the Dresden Staatskapelle.

It is easy to see why its players should want to work with the serene and serious conductor that Colin Davis has become. (Earlier this year Davis was awarded the title of Honorary Conductor in Dresden.) For there is an acceptance of the orchestra's accumulated wisdom in the deep, unhurried music-making that he now enjoys.

Sunday's programme, which I heard on the radio, consisted of three symphonies. The most fascinating was Dvořák's Seventh Symphony, as it was the antithesis of all that Mackerras had done with the same work at the Edinburgh Festival: where he had been all freshness and sparkle, Davis gave us a tempestuous work, all darkness and tragedy. The measured performances of Mozart's Symphony No 31 and Schubert's Symphony No 6 had perhaps forewarned us of what to expect.

Neither evening featured a soloist, although Davis himself has a fondness for singing along from time to time. This can be a bit of a liability over the radio and seemed a good reason to catch the second concert in the hall, which I did on Monday.

The second programme was an all-German one, framed by the contrasting styles of Mendelssohn and Reger. The evening opened in *Fingal's Cave*, on a day when its waters were unusually placid. Reger's *Variations and Fugue on a Merry Theme by Johann Adam Hiller* was not quite that either, but the piece did offer the opportunity for some genial and affectionate playing of the kind that has become a hallmark of the mature Davis.

In between we had a sober account of Beethoven's Fourth Symphony. Davis no longer captures in this music the feeling of an energy impossible to repress, as he did in his younger years. But there was never any doubt that he and his players were digging at the roots of Beethoven interpretation to a degree that Ozawa and the Boston Symphony Orchestra failed to do on Saturday, however marvellously they played.

In sum, two great orchestras out of the three: Dresden representing the best of the old world with its classical elegance and deep understanding of tradition, Boston the confidence and technical expertise of the new, no less splendid. If the Orchestre de Paris wants to keep this sort of company in future, it will have to pull up its *chaussettes*.

Richard Fairman

Alastair Muir

Britta Smith and Imelda Staunton

Bold Girls

HAMPSTEAD THEATRE

The word "bold" has two meanings, one each side of the Irish Sea. It is evident in its English sense in the decision to take a piece from a Scottish writer about women in Belfast. Rona Munro applies it in its Irish sense – bad, naughty, mischievous – to a quartet of characters who, but for the distant thud of gunfire and the talk of their menfolk in the Kesh, could (accents aside) be from practically any small Celtic town.

To a stage awash with dramatisations of "the troubles" Munro brings a portrayal of Northern Ireland that is radical in its denial of any political perspective. We know that these women have Republican connections because of what has happened to their husbands, sons and brothers, but their physical embattlement merely serves as a catalyst and focus for their emotional muddle.

Even a feminist solidarity is denied them. The real trouble, Monro appears to be saying, is that this is a society of women unable to cope with men. She illustrates her point with a mother, a wife and a daughter, each of whom clings to her worthless idol: Nora (Britta Smith) is the doting mother of a jailed son to whom she sends exotic baskets of fruit in lieu of the traditional maternal fry-up; her daughter, Cassie (Imelda Staunton, on scorching form) is disgusted by her husband but worships the memory of her dead, wife-beating father; while the madonna-like Marie (Orla Charlton) keeps desperate faith with a husband who was inevitably a hopeless philanderer.

Their humdrum dissatisfactions are brought into the open by the arrival of a mysterious, thieving waif in white who, by some mysterious compulsion, arrives at and is welcomed into Marie's parlour where she proceeds – with moon-faced truculence – to demolish their self-deceptions.

Munro's writing is at its best dealing with the oblique conversational rituals of her characters: over an episode of *Blind Date* on television, Nora and Cassie speculate about the motives of the bedraggled young infiltrator (Catherine Cusack); over a name-the-price auction at a local disco, they squabble about Cassie's morals, while Marie is boldly winning herself a Magimix food processor.

The point that this is an ordinary group of women is echoed on every level of production: through John Dove's direction, Robert Jones' immaculately dowdy set, and the unstintingly honest performances which frame the one extraordinary feature of the evening – Imelda Staunton's explosive portrayal of a woman tugging at the end of the communal tether. Cassie is the bold girl, in both its English and Irish construction. But the imaginative boundaries adopted here are finally such that, even as she appears to be breaking free, one knows that she has no hope of escape.

Claire Armitstead

Bard's Mendelssohn

ANNANDALE-ON-HUDSON, NEW YORK STATE

In the Hudson Valley a second "Rediscoveries" Festival has just been mounted at Bard College, devoted this year to rediscovering Mendelssohn. As I reported on Saturday, clever programming – by the musicologist-conductor Leon Botstein and Sarah Rothenberg – aimed to illuminate forgotten aspects of that composer. (The inspiration came, I gather, from Roger Norrington's intensive "weekends".) If the leading exhibits were Botstein's own orchestral concerts-with-voices, they were vastly enhanced by their provocative context.

Not only solo and chamber recitals planned to a sharp purpose, but apposite lectures with polemical points: Botstein on Mendelssohn's religious roots, Miss Rothenberg on his sister Fanny's great, thwarted talent, Bernard Jacobson on his relations with fellow-composers, William Little on the significance of the Bach revival which the young Mendelssohn crowned with his rediscovery of the "St. Matthew" Passion. Apropos of that, for example, the Emerson Quartet violinist Eugene Drucker played Bach's solo D minor Chaconne and his G minor Sonata – coolly, meticulously – with redundant piano-supports by Mendelssohn (quirky and fascinating) and later by his *protégé* Schumann (dull hack-stuff) to lubricate the austere music for mid-19th-century ears.

Though period instruments are no part of the Bard Festival plan, an old wooden-frame piano would have reproduced the original balance more truly than Diane Walsh's big modern Steinway. It might also have helped her to project more character in two of Mendelssohn's fine, Bach-inspired Preludes & Fugues, and in Brahms's virtuoso re-write of the G minor violin Presto – but her self-effacing good taste is anyhow not a virtuoso trait. She accompanied the baritone William Sharp to much better purpose in his Goethe settings, matching Mendelssohn's against Zelter and Schubert. As a *Liedersänger* of high intelligence and easy grace, Sharp urgently awaits discovery on this side of the Atlantic.

The pianist Todd Crow led a stirring account of the B minor Quartet, op. 3 – too loud by several degrees (the Steinway problem again), but taut and vital. Yet it was Miss Rothenberg, no virtuoso but a passionate interpreter, who provided the revelation of the second Bard weekend with Fanny Mendelssohn's *Das Jahr*, published only recently by a small German firm dedicated to women composers' music.

This three-quarter-hour piano cycle is a kind of diary of Fanny's single liberated year in Italy (Rome above all, but Venice too). It proves to be no less cogently varied and intricately imagined than, say, Schumann's *Davidsbündler* set; it even looks forward to the discursive, freely dramatic cycles of Fibich and Janácek. Its idiom is not Mendelssohn-minus, but Mendelssohn-plus – the familiar, artful pianistic tropes *and* emotional excursions beyond Felix's cultivated territory.

None of it sounds second-hand. Far from shadowing her clever little brother's music, Fanny's piano-writing might have been the broad fount from which he drew his own polished vein. More probably, the siblings worked up their musical idiom together, but the social constraints of the time left room only for the brother to develop it in public. Fanny might have been a feminist martyr; but Miss Rothenberg set out her plight judiciously, without axe-grinding, and then brought *Das Jahr* to life at the keyboard with passionately detailed sympathy (if not the well-drilled fingers of a 19th-century bourgeois daughter). She persuaded us that *Das Jahr* is no mere curio but a boldly assured creation, worthy to set against the piano-music of her brother and Schumann, to mutually illuminating effect.

David Murray

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Paavo Berglund conducts the Royal Concertgebouw Orchestra in Debussy's Prelude à l'après-midi d'un faune, Mendelssohn's Scottish Symphony and Sibelius' Fourth. The programme is repeated tomorrow at Zutphen. The same conductor and orchestra give a free lunch concert today at 12.30 in the Concertgebouw. Tomorrow: Frans Brüggen conducts a Mozart programme with the Orchestra of the 18th Century. Sat: Richard Dufallo conducts Netherlands Radio Symphony Orchestra in Bernstein and Copland (6718 345)
Muziektheater 20.15 Dutch National Ballet in works by Hans van Manen, William Forsythe, Toer van Schayk and Balanchine. Repeated tomorrow, Sat, Sun (6255 455/credit card bookings 6211 211)

■ ANTWERP

De Singel 20.00 Flanders Festival: Robert Groslot plays piano sonatas by Mozart and Prokofiev. Fri: Ensemble 415 presents an all-Vivaldi programme. Sat: Nicholas Cleobury conducts an all-Prokofiev programme with the Royal Flanders Philharmonic Orchestra (233 7160)

■ BERLIN

Grosser Sendesaal des SFB 20.00 Michael Gielen conducts the Junge Deutsche Philharmonie in Mozart's Symphony No 25, Schubert's Ninth Symphony and Lutoslawski's Cello Concerto, with Yo Yo Ma (West Berlin 3027 242)
Schauspielhaus 20.00 Claus Peter Flor conducts the Berlin Symphony Orchestra in Mozart's Coronation Concerto K537, soloist Annerose Schmidt, and Shostakovich's Tenth Symphony. Tomorrow and Fri: Simon Rattle conducts the CBSO (East Berlin 2272 261)
Philharmonie Kammermusiksaal 20.00 Sabine Meyer Wind Ensemble plays music by Mozart and Franz Krommer. Tomorrow: Berlin Philharmonic Wind Quintet (West Berlin 2614 383)

■ BONN

Oper 20.00 Ivan Anguelov conducts Graham Vick's production of Rigoletto, with a cast led by Jean-Philippe Lafont, Luigi Roni (H)and Alejandro Ramirez. Next performance on Sat (773667)

■ FRANKFURT

MUSIC
Alte Oper 20.00 Petr Altrichter conducts the Prague Symphony Orchestra and Chorus in Dvorak's Requiem, with soloists Lucia Popp, Eva Randova, Josef Protschka and Ivan Mikulas. At 20.00 in the Mozart Saal, Ensemble Modern plays music by Lachenmann, Kurtag and B.A. Zimmermann, with Christine Whittlesey soprano soloist. Tomorrow: Freiburg Baroque Orchestra plays music by Zelenka, Bach and Telemann. Fri: Michael Schneider conducts a concert performance of Gluck's Paride ed Elena, with a cast led by Margaret Marshall. Sun: Michael Gielen conducts the Junge Deutsche Philharmonie in symphonies by Schubert and Mozart, with Yo Yo Ma soloist in Lutoslawski's Cello Concerto (1340 400)
THEATRE
The 1991-92 season opens on Friday with Strindberg's Miss Julie at the Kammerspiel (236061) and Somerset Maugham's The Constant Wife at the English Theater, Kaiserstrasse (242 3160). The Somerset Maugham production by Martin Harvey runs till Nov 16, except Mondays. The first production at the Bockenheimer Depot is Goethe's Iphigenie auf Tauris, opening on Sep 20.

■ LONDON

MUSIC AND DANCE
Sadler's Wells 19.30 Moscow City Ballet production of The Sleeping Beauty, also tomorrow. Fri and Sat: Swan Lake (071-278 8916)
Coliseum 19.30 Guido Ajmone-Marsan conducts a revival of Jean-Claude Auvray's production of La bohème, restaged by Julia Hollander. The cast includes Vivian Tierney as Mimi, Lesley Garrett as Musetta, Joseph Evans as Rodolfo and Alan Opie as Marcello, also Sat. Tomorrow: Werther. Fri: Billy Budd (071-836 3161)
Queen Elizabeth Hall 19.45 From Basie to Bop: the Brian Leemon Octet and Ray Wordsworth's Modern Jazz Sextet pay tribute to Count Basie and the pioneers of Bop (071-928 8800)
Royal Albert Hall 19.30 Henry Wood Proms: George Cleve conducts the English Chamber Orchestra in an all-Mozart programme, with soloists including Mitsuko Uchida, Ann Murray, William Bennett and Frank Lloyd. Tomorrow: LSO plays Bernstein and Stravinsky (071-823 9998)
THEATRE
● *Three Birds Alighting In A Field* is a new play by Timberlake Wertenbaker, award-winning writer of Our Country's Good. Directed by Max Stafford-Clark and designed by Sally Jacobs (Royal Court, 071-730 1745O).
● Hedda Gabler: Fiona Shaw stars in a widely-acclaimed Abbey Theatre Dublin production of Ibsen's quasi-feminist tale of quiet oppression, directed by Deborah Warner (Playhouse 071-839 4401).
● Our Town: Alan Alda makes his British stage debut in Thornton Wilder's play set in an imaginary small American town. The cast also includes Jemma Redgrave and Robert Sean Leonard. Directed by Robert Allan Ackerman (Shaftesbury 071-379 5399).
● *Tango at the End of Winter*: Kunio Shimuzu's Japanese play, in a transfer of the Edinburgh Festival production directed by Yukio Ninagawa, with a British cast led by Alan Rickman (Piccadilly 071-867 1118).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MILAN

Teatro alla Scala 20.00 Georg Solti conducts the Scala orchestra and chorus in a concert performance of Die Zauberflöte, with a cast led by Sylvia Greenberg, Edith Wiens, Jard van Nes and Deon van der Walt (7200 3744)

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Copland's Old American Songs (with baritone soloist Thomas Hampson making his Philharmonic debut) and Bruckner's Seventh Symphony, plus John Adams' Tromba lontana and Short Ride in a Fast Machine. Repeated tomorrow, Fri and Sat (875 5030)
New York State Theater 20.00 New York City Opera production of The Cunning Little Vixen conducted by Christopher Keene and staged by Frank Corsaro in designs by Maurice Sendak, with Kathryn Gamberoni as the Vixen. No performance tomorrow. Fri: Le nozze di Figaro (870 5570)
OFF BROADWAY THEATRE
● The Skin of Our Teeth is a revival of Thornton Wilder's Pulitzer Prize-winning play, which dramatises the indestructability of mankind by following an allegorical family from the Ice Age to a modern war. Directed by Robert Hupp (Bouwerie Lane Theater, 330 Bowery at Bond St., 677-0060).
● Forever Plaid is Stuart Ross's entertaining tongue-in-cheek salute to the vocal harmony groups of the 1950s (Steve McGraw's, 158 W. 72nd St., 595-7400).
● Pageant is a musical spoof of beauty contests, conceived and directed by Robert Longbottom (Blue Angel, 321 W. 44th St., 262-3333).
● Ticketron answers inquiries and sells tickets (246-0102)

■ STOCKHOLM

Royal Opera 19.00 Johannes Fritzsch conducts Ralf Langbacka's production of Don Giovanni, sung in Swedish with Gunnar Lundberg in the title role, Curt Appelgren as Leporello and Hillevi Martinpelto as Donna Anna. Tomorrow and Fri: Mark Ermler conducts a ballet triple-bill, with Natalia Makarova's production of La Bayadère and works by Maurice Béjart and Birgit Cullberg. Sat: first night of new production of Gustav Vasa (1786), opera by Johann Gottlieb Naumann inspired by Sweden's Gustav III with a cast led by Nicolai Gedda (248240)
Konserthuset 19.30 Gennady Rozhdestvensky conducts the Stockholm Philharmonic Orchestra in Ingvar Lidholm's Kontaklon, Shostakovich's Fourth Symphony and Mozart's Piano Concerto No 21, with soloist Viktoria Postnikova. Repeated tomorrow (244130). Fri and Sat in Berwaldhallen: Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in Webern's Five Orchestral Pieces Op 10, Mahler's Das Lied von der Erde and Nielsen's Flute Concerto (784 1800)

■ VIENNA

Staatsoper 19.00 Berislav Klobucar conducts Otello with Giuseppe Giacomini in the title role, Renato Bruson as Iago and Mirella Freni as Desdemona, also Sat. Tomorrow: Madama Butterfly (51444 2960)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 International Business Report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0630 & 2030 (Thurs) Financial Times Business Weekly
Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY
Superchannel
1800-1830 FT Business Weekly
1930-2000 FT Business Weekly
2330-0030 FT Business Weekly
Sky News
1030-1100 FT Business Weekly
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0710-0740 Moneyweek
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Soft landing for Japan

OVER THE past two years, Mr Yasushi Mieno, the governor of the Bank of Japan, has walked a narrow tightrope. His balancing act has been to keep rates high enough, for long enough, to puncture and deflate the Tokyo asset price "bubble"; but not so long as to force a sharp economic slowdown. So far it seems that he will achieve this remarkable feat. The Japanese government's task is to ensure that he does not have to do it again.

Five discount rate increases between May 1989 and August 1990 have punctured Japan's "bubble economy". Stock prices fell sharply last year – the Nikkei index is now 42 per cent down on its peak at the beginning of 1990.

The land market has been slower to respond, particularly in central Tokyo, causing the authorities to keep policy tight. Turnover has collapsed and many property speculators have gone bankrupt. Meanwhile the collapse has shaken out a series of financial scandals which have rocked the Japanese financial community.

So far the real Japanese economy has continued relatively unscathed, avoiding the dual threats of inflation or recession. But it is now beginning to slow. Property-related companies are suffering. Housing starts fell 21 per cent in July; and bankruptcies were 63 per cent higher in the first seven months of the year, compared with the same period in 1990, mainly among property companies. Consumer spending is also down, particularly on imported luxury goods. Yesterday's news that seasonally adjusted private sector machinery orders fell by 1 per cent compared to a year ago suggests that corporate investment is also beginning to slow.

Plentiful capital

A sharp fall in capital spending is the main threat to economic growth. Business investment accounted for 55 per cent of real economic growth since 1986, against a background of cheap and plentiful capital.

All that has now changed. The Tokyo stock market has no appetite for new issues, while banks, struggling to meet internally agreed minimum capital-asset ratios, are unable to lend as before.

Annual broad money growth, the counterpart to bank lending, fell to a historically low rate of 3.4 per cent in July.

So far companies have continued to invest by drawing down their liquid cash reserves. They have inevitably reduced their spending plans too. The latest quarterly survey from the Bank of Japan implies that capital spending will grow by 7.9 per cent in this fiscal year, down from 16.7 per cent in the last.

Gradual slowdown

The Bank has responded by easing policy. It cut the discount rate to 5.5 per cent in July; and last week injected liquidity into the market, causing three-month interest rates to fall to 6.7 per cent from 7.1 per cent a week ago.

Yet the evidence supports the Bank's expectation that there will be a gradual slowdown rather than a sharp decline. Growth is expected to slow to about 3 per cent in 1992, lower than in recent years, but still impressive by most standards.

The Bank of Japan has room to ease policy further. The yen has strengthened against the dollar in recent months, easing inflationary pressures. Wholesale prices rose by just 1.7 per cent in July compared with a year ago, and are expected to remain unchanged in August. Nevertheless, its priority must remain to ensure that a renewed bout of land price speculation does not begin once interest rates fall.

High interest rates are a blunt way to offset the supply-side weaknesses which keep urban land prices so high. It is the combination of anachronistic zoning regulations, agricultural protectionism and a system of inheritance taxation that favours incumbent holders of agricultural land that is to blame.

The obvious and preferable solution would be for the ruling Liberal Democratic party to put financial stability, and the interests of consumers, before those of the farm lobby which has been dominant for over four decades. The LDP is in a stronger position to act than ever before. Mr Mieno has acted, and acted well. It is time his political masters followed his example.

Corporate fun

THE COLLAPSE of the Keith Prowse group has rocked the UK corporate hospitality industry. It was the largest company in the £500m a year business, and official agent for the Wimbledon tennis championships and Lords test matches.

Like the industry itself, Keith Prowse had experienced a decade of explosive growth. This growth might appear unexpected at a time when tax cuts and rising executive incomes have initiated a trend away from perks and benefits, yet corporate hospitality has proved to be a cost-effective form of marketing.

International trading companies have long known that entertaining clients is a necessary part of doing business in Japan and the Middle East. But it is increasingly part of the marketing armoury elsewhere. A survey in October 1990 found that eight out of 10 UK companies rated the relatively small amounts they spent on corporate hospitality as more effective than advertising, exhibitions and direct mail.

There are dangers in the practice, which can easily be portrayed as a form of bribery. With average expenditure per event under £200 a head, the moral hazard is probably low. But much larger expenditure is not unknown, and wise employers will take steps to avoid undue pressures on employees through a policy of disclosing significant treats. A company like Sainsbury, whose directors routinely refuse all invitations, places itself above suspicion.

It may just be that the greater damage is done to the event which hosts the entertainment. Complaints that philistine businessmen with mobile telephones are drowning out the Mozart at Glyndebourne are exaggerated. But the success of this year's unscheduled Sunday session at Wimbledon – at which any corporate spectators were spending only their own money – indicates that something can be lost from great occasions when the hospitality marquees are erected.

Admitting Mammon to sporting and cultural events can certainly raise significant sums of money. Companies which sponsor institutions such as the Royal Opera House or events such as test matches are entitled to be rewarded for their philanthropy with tickets for their staff and customers.

And if the wealthier business customers are corralled in a high-priced corporate ghetto – as at Wimbledon – the trickle-down effect may operate for ordinary spectators who can still buy reasonably-priced tickets through the draw. However, a sensible promoter will limit the seats allocated to corporate hospitality, and wring the maximum revenue by auctioning the rights to them to the highest bidders.

Brussels cool

IT IS A real pleasure to be able to welcome a proposal from Brussels without reservation. Too many people have been seduced by high-pressure selling of time-share holiday developments; they have signed in haste, found that they cannot rescind their commitment, and repented at leisure. Some have even discovered that they have no good title to the property they have "bought", and found no remedy. So Mr Karel Van Miert, the EC commissioner for consumer affairs, is proposing a compulsory, Europe-wide "right of reflection" for seven days, in which bidders would be free to withdraw.

Excellent (though seven days is not long to review such a large and legally complicated commitment.) This sensible notion is a world away from another recent proposal from the same office, which may yet make kippers illegal (astonishing, from a citizen of the land of the smoked eel). It is not that we like kippers and dislike pressure selling – though this is true – but that we like laws to be made at the appropriate level.

Timeshare involves salesmen in one country and customers in another; protection needs to be transnational. National governments are perfectly able to decide whether to preserve their citizens' right to indulge a taste (if British) for the odd kipper. Brussels too often forgets this, and to aim for a Europe not so much harmonised as homogenised. That kind of proposal deserves a brickbat just as this one gets a bouquet.

Robert Taylor explains why Sweden's Social Democrats may face general election defeat

Reshaping the Swedish Model

THIS Sunday's general election in Sweden may mark the end of a political era, as the Social Democratic party that has ruled the country for all but six of the past 59 years goes down to defeat. The public opinion polls all point to a victory for the five non-socialist parties – though whether they will remain united enough to establish a viable coalition government that stays the course of a three-year parliament must remain in doubt.

If the Social Democrats do lose, it will be a historic reversal. The party has, after all, been virtually synonymous with Sweden for decades; in the eyes of its admirers it is the most successful democratic party in the world. Now – although it will remain by far the largest party in parliament and will continue to influence Sweden from opposition – it is set to be replaced by a government that may have fewer inhibitions about exposing the country to untrammelled market forces.

Social democracy as Sweden once knew it has in any case been dying for some time. The party has been forced to stage a strategic withdrawal during the 1980s in the face of enormous economic and social changes that are transforming the Swedish Model into a western European market economy. Over the past three years under Prime Minister Ingvar Carlsson it has moved a long way to come to terms with Swedes' demands for more individual freedom and the internationalisation of the economy.

In one policy area after another – agriculture, retail distribution, privatisation of state-controlled industry, competition and anti-monopoly laws – the Social Democrats bowed to the market and began to pull down the panoply of controls and regulation that protected much of the economy since the early 1940s.

The removal of foreign exchange controls in July 1989 coupled with this summer's decision to link the krona to the European Currency Unit as a step towards membership of the exchange rate mechanism of the European Monetary System has ensured that the country can no longer devalue to improve industrial competitiveness.

Party leaders have also questioned openly many of the old Social Democratic shibboleths. They accepted that the conquest of inflation should be a higher priority than the maintenance of full employment and acknowledged that public expenditure must be reduced as a proportion of gross national product to much less than its current 57 per cent.

And in its 1991-1992 tax reforms, the party accepted that the tax burden must be shifted off incomes and on to goods and services as an incentive for

The way it was: Ingvar Carlsson victorious in 1988 appears set for defeat on Sunday at the hands of Carl Bildt, right

people to work. This was a significant break with traditional social democracy – indeed, ministers admitted it had its roots in Reaganomics.

Under their finance minister Allan Larsson the Social Democrats also followed a prudent and responsible financial policy. There has been no pre-election spending spree even though the country is in the depths of a recession – a fact which seems to have impressed the money markets more than the electorate.

The Social Democrats' foreign policy has been no less malleable. Sweden's traditional neutrality – always a somewhat flexible concept in any case – is no longer seen as a barrier to western European integration in the aftermath of the Cold War. This July Mr Carlsson presented his country's application for European Community membership with his party's full support.

The fundamental revision of Swedish social democracy has come as a shock to many non-socialists who accused the party of stealing many of their own best electoral clothes. It has been even more confusing for the party faithful.

To the electorate at large, social democracy is showing signs of intellectual exhaustion. The party's election manifesto is almost devoid of ideas, consisting mainly of a paean to the past. To its many critics, the party now lacks the vitality and cohesion to dictate the agenda of Swedish politics.

From the 1930s onwards the Social Democrats won the battle of ideas. The party combined administrative competence with an idealistic vision. Unlike democratic left-wing parties elsewhere, it avoided bitter schisms and was able to absorb other political movements that might have threatened its dominance, such as the anti-nuclear campaign.

Now it is the non-socialist parties that have the initiative and the Social Democrats who are reacting to pressures and influences over which they have little control.

Over the past three years, Mr Carlsson has fought a rearguard action to bolster his support through tactical alliances with the Liberals or the Centre party. But this does not seem to have been enough to convince the voters that the Social Democrats remain the party best able to govern Sweden as the country negotiates its way into the European Community – which it hopes to do by the end of 1994.

Mr Carlsson's problem in essence is that he finds it difficult to explain the sort of market socialism which he has sought to introduce to Sweden. Instead, he has reverted to traditional Social Democratic messages about the need to protect the old, the young and the sick through state support. He warns that the Moderates, the main opposition party whose leader may be the next prime minister (see below), want to import Thatcherism into Sweden.

His basic electoral message – a mixture of scare-mongering and nostalgic appeal – does not seem to have found an echo among many voters, particularly the younger generation who will vote heavily for the non-socialist parties.

Mr Carlsson's position has not been helped by Sweden's economic performance. True, its inflation rate – virtually zero on a month-on-month basis – is now among the lowest in western Europe, thanks to a surprisingly successful voluntary wage restraint policy; it is also showing a comfortable visible trade surplus. But the economy is expected to show little or no growth between 1990 and 1992; industrial production has plummeted this year; and the balance of payments deficit has risen substantially.

Most people's living standards may have have been unaffected but there is still widespread discontent. Registered unemployment has risen to over 3.1 per cent of the workforce and is set to climb to 4 per cent or more next year. This may be modest by western European standards but it alarms many Swedes who have grown up with full employment.

Small wonder that the electorate hankers after change – even if it looks set to produce a weak, divided coalition with little ideological glue to bind it. It is Sweden's misfortune that this is likely to be the result at a time when the country needs a strong government to negotiate the best terms for EC membership and to pull the economy out of the doldrums.

The freer-market man

Robert Taylor on Moderate party leader Carl Bildt

MR Carl Bildt, 42-year-old leader of the Moderate party, believes he will be Sweden's next prime minister after Sunday's election, at the head of a non-socialist coalition government. If he is right, he will become the first conservative prime minister the country has had since 1930.

Elected to lead the party in August 1986, he owed his rapid rise in Swedish politics to his parliamentary battles over foreign and defence policy with the late Olof Palme. The former prime minister once accused Mr Bildt of being a "security risk" after he briefed the US State Department on Soviet submarine incursions into Swedish waters.

In fact, Mr Bildt is probably the most knowledgeable politician in Sweden about international relations. He is on close personal terms with Chancellor Helmut Kohl of Germany and is a friend of Chris Patten, the British Conservative party chairman.

Since his election to parliament on the Stockholm list in 1979, Mr Bildt has made the place of Sweden in the world his primary interest. Indeed, he has been a fervent supporter of Swedish European Community membership since he was at university in the early 1970s.

It is this commitment which gives Mr Bildt's politics logic and coherence. "Europe has become the symbol of hope for the regeneration of Sweden – from food policy to taxation, from culture to the environment," he asserts. To Mr Bildt his country's move into the EC signifies a clear break with the old notion of Sweden as a middle way, a country balanced ideologically between east and west.

Mr Bildt believes Sweden's convergence with the EC will render much of the country's collectivist ideology obsolete. While Ingvar Carlsson often gives the impression he wants to Swedify Europe, Mr Bildt is seeking the opposite.

In his view the domestic agenda of the Moderate party will turn Sweden into a country fit for EC membership. Mr Bildt wants to cut the heavy tax burden, privatise state industry, abolish the public wage earner funds, stimulate freedom of choice in the welfare system and encourage the work ethic, personal saving and small businesses. Only by carrying through a more robust market strategy, he reasons, can Sweden enjoy a competitive advantage when it enters the EC – a move which may come as soon as January 1 1995.

Although the Social Democrats love to caricature Mr Bildt as a Thatcherite figure hell-bent on destroying the welfare state and creating mass unemployment, he is a conservative much more in the mould of Edward Heath than of Margaret Thatcher. But in a political system that thrives on consensus Mr Bildt can be seen as a divisive figure. The sociable Ingvar Carlsson cannot disguise his distaste for Mr Bildt.

But the tall, donnish young man will not enjoy complete political freedom to do what he likes if the Social Democrats lose on Sunday. His own party can expect to poll only about 20-22 per cent of the national vote.

He must build a broad coalition of non-socialist parties to ensure a majority government – and that will not be easy. He has good relations with Liberal leader Bengt Westerberg. The two men have agreed on a common economic programme – which they have called New Start for Sweden – aimed at opening the economy to market forces.

But to ensure a viable government they also need the backing of the Christian Democrats – a small party set to come into parliament for the first time – and more problematically the unpredictable and left-leaning Centre party whose leader Mr Olof Johansson is already laying down in public terms for joining a Bildt coalition.

To add to the probable post-election confusion the recently formed populist New Democracy also looks set to enter parliament. If it secures enough seats to hold the balance of power and to stop the other four non-Socialist parties achieving a majority between them, Mr Bildt might find it hard to keep his putative coalition in line. The Liberal leader has warned that his party would refuse to join a non-socialist coalition that depended on ND for parliamentary survival.

Mr Bildt has never held senior office before, having been only a backroom adviser and co-ordinator in the 1976-1982 non-Socialist governments.

The Moderate leader knows he is playing for high stakes this weekend. If he succeeds in forming a government he could lead Sweden into the EC and start to wean his country away from Social Democratic attitudes. But if he fails he could set back the cause of conservatism in Sweden for another generation.

OBSERVER

Academic enterprise

■ With Soviet communism collapsed, Harvard University is already picking up the pieces. Its John F Kennedy school of government has begun a remarkable exercise to help top former adversaries to adjust to life after Lenin.

The effort centres on a two-week course for 28 ex-Soviet defence ministry eminences on the role of the military in a democracy. Classes range from a primer on the US Constitution to lessons of the wars in Vietnam, the Gulf, and... *wait for it*... Afghanistan.

Among the tutors are Robert Blackwill and Condoleezza Rice, who both advised President Bush on Soviet affairs. Guest speakers include joint chiefs of staff chairman General Colin Powell, his predecessor Admiral William Crowe, and General John Galvin, supreme allied commander in Europe.

The privately-funded democracy programme is modelled on similar week-long seminars offered to US national security professionals and freshmen members of Congress. This is the first time, however, that the course has been offered to Soviet equivalents.

Given how short a time it is since Moscow would have have dismissed the very idea as capitalist brainwashing, the exercise is a tribute to Harvard's responsiveness to change. The John F Kennedy school in particular – proposer of the controversial "Grand Bargain" economic reform package for the Soviet Union – has captured a niche in what ought to be a growing market.

Good sport

■ Three cheers for Patrick Whittingdale, an international fund manager with a mind of his own. Against all the advice of professional sponsorship advisers, he has decided to bet £1m of his own company's money on training the English cricket team for the next four years.

Whereas bigger sponsors demand setpiece events, at which they can wine and dine clients, Whittingdale wants the money to be spent on behind-the-scenes training. Nothing more.

Even for big spenders like the Prudential or NatWest, £1m is a lot of money. For Whittingdale, who has carved out a specialist niche managing money for Lloyd's syndicates, it is a massive amount. The 48-year-old Whittingdale, who set up his 35-strong fund management company in 1977, is already one of the games best philanthropists and his latest gesture is the biggest boost British cricket has had in years.

With an eye to the pension funds he hopes to woo, Whittingdale portrays himself as very much the long-term investor. But his magnanimous gesture could still backfire.

How can he hope to recruit the top fund managers when such a large part of the company's profits are being sunk into a game with such a poor track record?

Bounders

■ British Airways' chairman Lord King has suddenly taken off, and in the pages of today's pink 'un at that.

The 74-year-old is the first of 26 assorted high-fliers who've agreed to be pictured jumping for joy in advertisements for the Prince's Trust, which helps to give a lift to disadvantaged young people. The ads, to appear in the FT every Wednesday for the next half year, are sponsored by Mercury Communications, part of the Cable and Wireless empire.

The identity of the other 25 jumpers is a closely guarded secret. But they're believed to include Lord Blakenham, chairman of the FT's parent-group Pearson, even though Prince Charles himself is apparently loth to leave the ground.

Roundabout

■ What on earth is going on at the London Stock Exchange? Senior staff are coming and going (and coming again) so fast, it's difficult to see any stability returning to the organisation.

The latest to go are David Bilbé, a former Chase Manhattan banker who was director in charge of strategy in the exchange's markets division, and Peter Holloway, former head of market making at Barclays de Zoete Wedd and a special adviser to the exchange on market development. Bilbé lasted just 15 months, while Holloway's one-year contract has not been renewed.

The exchange claims this does not signal any disagreement over its proposed new trading strategy, which has already been through more pairs of hands than the average rugby ball (George Hayter, Bilbé's erstwhile boss and original architect of the plan, jumped ship a year ago).

Meanwhile, one old exchange staffer lost in the recent purges has reappeared. Mick Newman, who played a key role in the development of computer systems ahead of Big Bang, has been brought back as a consultant to help with Taurus, the troubled settlement system. His experience turned out to be invaluable after all.

Ex-poodle

■ Early days yet, but it sounds as if the European Bank for Reconstruction and Development's president Jacques Attali is no longer listening quite so intently to his master's voice.

The man who used to be President Mitterrand's closest personal adviser was in Washington yesterday urging Western European countries to be brave and open up their markets to poor Eastern European farmers. Back home his old mentor in the Elysee Palace seems intent on doing the exact opposite, upsetting everyone by blocking central European meat imports.

Of course, it may just be that Attali was trying to impress his biggest shareholder on its home turf. But then again it could be another telltale sign that even Mitterrand's closest advisers are starting to jump ship.

Timeless

■ Excusing himself for droning on far too long, a longwinded speaker at a recent conference pointed out that the hall did not contain a clock. Whereupon a voice from the floor responded:

"Thank God they've got a calendar."

LETTERS

Ingredients for a backlash exist in eastern Europe

From Mr R Tyrrell.

Sir, Andrew Phillips is correct when he takes you to task for your too simplistic view of "capitalism's triumph" (Letters, September 5). Besides the reasons he cites for this view, there are others.

The wave that broke over eastern Europe in 1989 is already beginning to ebb. This is not only the result of the downsides of capitalism during the adjustment period to a market economy – as inflation and unemployment rise and living standards fall.

More important, there is the insult to the values that governed for more than 40 years, and were substantially believed in for about half that period. A generation feels that its life's experience has been rejected as worthless – and that hurts, particularly so when some of the values are still believed in.

As the apocryphal story of the Dresden man's view on capitalism's triumph goes: "We only had Trabants then... but at least we all only had Trabants."

Couple this with the bad reputation some western companies are gaining as sub-standard (but branded) products are off-loaded on eastern European markets. Couple it, too, with the shock of eastern Europeans at the excessive packaging employed on some western products ("and you called us environmentally irresponsible") and the ingredients are there for a backlash.

The wave will ebb. The interesting thing is what the backwash will mean for capitalism – something we tend to ignore in our smugness at its triumph.

Capitalism vintage 1991 is definitely not the end of history, maybe just the end of a chapter in the economic and social history of Europe. The next one could have an interesting twist or two in the plot.

R Tyrrell,
The Henley Centre,
2 Tudor Street,
London EC4Y 0AA

Pay review for teachers

From Mr Nigel de Gruchy.

Sir, I believe your report that the TUC "committed itself to opposing a pay review for teachers" (September 6) to be inaccurate. Congress resolved unanimously to seek restoration of teachers' rights "in conformity with" the relevant International Labour Organisation (ILO) Conventions.

The National Association of Schoolmasters and Union of Women Teachers (NASUWT) firmly believes that the Pay Review Body, acceptable to the overwhelming majority of teachers and five out of six of their associations, conforms fully with the ILO Conventions.

It is true that others think differently. Whatever view one takes, it would be curious for the TUC to complain to ILO about the Review Body when so many teachers and their associations have positively welcomed its introduction.

The Labour party is also on record as supporting pay review bodies in such circumstances.

Nigel de Gruchy,
general secretary,
NASUWT,
5 King Street,
London WC2

How to get the best of both worlds in accounting

From Professor D R Myddelton.

Sir, Professor Michael J Page (Letters, September 4) is quite right to emphasise the importance of stewardship in financial accounting. The English Institute's Recommendation N15 in 1952 stated: "The primary purpose of the annual accounts of a business is to present information to the proprietors showing how their funds have been utilised and the profits derived from such use." This suggests that it may be desirable for UK financial accounts to move back towards a stricter use of historical cost, in line with US practice.

Even the Sandilands Committee, which recommended Current Cost Accounting in 1975 under the influence of political pressures, noted (para. 273) that historical cost accounting "has proved to be of great value in protecting the interests of shareholders and creditors of companies and, when price are stable, results in a clear and unambiguous view of a company's affairs". Indeed, subject always to the phrase "when prices are stable", Sandilands identified many advantages of historical cost accounting: versatility, usefulness, verifiability, freedom from ambiguity, prudence, comparability between companies and over time, intelligibility and cheapness.

During its extended trial period Current Cost Accounting proved both unpopular and unworkable. Yet the UK is still suffering from rapid inflation which continues to distort financial accounts. The average rate of inflation since the Sandilands Report was published exactly 16 years ago has been just under 9 per cent a year; and the pound has lost nearly three-quarters of its purchasing power since then.

May I suggest a way to get the best of both worlds: to retain the many important advantages of historical cost accounting, while also having a system of accounting for inflation which is relatively simple, logically consistent, comprehensive, relevant and useful. I mean, of course, why not adopt Constant Purchasing Power (CPP) accounting? As Recommendation N15 itself pointed out, CPP accounting "is not strictly a proposal for a change from accounting based on historical cost".

Professor D.R. Myddelton,
professor of finance and accounting,
Cranfield School of Management,
Cranfield,
Bedford

Architects who suffer in silence through recession

From Mr David Thurlow.

Sir, It would seem that the professions are not used to suffering the effects of recession. There is much advice given to the young architect in his professional training, but liquidation and receivership are not on the curriculum.

Perhaps this explains the suffering in silence that prevails. The profession is more outraged by the antics of Prince Charles than by the systematic deconstruction of great swathes of our practices.

It is expected that one-third of all practices will fail by the end of the year and that 40 per cent – 50 per cent of the profession will be redundant.

Is the government deliberately allowing the construction industry to remain in free fall to bring us into line with Europe? If so, why not discuss the problem with the industry? Or is it a policy of total disregard, with no control over the future, of one of our biggest and most important industries?

The current problems are rather like the Great Plague; a disease that affects all, not just the weak and unfit, but the rich, famous, efficient and well-respected alike. Unlike the plague there is a cure, which involves investment and a condition of confidence for the industry to make a controlled recovery. Steady growth, made possible through good communications between government, institutions, the professions and the construction industry... now.

David Thurlow,
president,
Association of Consultant Architects,
Buchanans Wharf,
Bristol BS1 6HT.

Time watching

From Lord Monson.

Mr Michael Allaway (Letters, September 2) urges the UK, Ireland and Portugal "to line up with Central European Time" for the sake of the poor business traveller.

Fewer degrees of longitude separate New Orleans from San Diego or Washington D.C. from Denver than separate Budapest from Lisbon or Warsaw from Cork. Yet the time difference between each pair of American cities is not a trifling 60 minutes but fully two hours.

Are European business executives really too feeble to cope with time differences, based on geographical realities, which their successful American, Canadian and Australian counterparts take in their stride?

Monson,
House of Lords,
London SW1

IoD survey of business opinion

From Dr Ann Robinson.

Sir, The number of respondents (320) to the Institute of Directors' survey of business opinion may be smaller than the number of respondents to the Confederation of British Industry's quarterly survey but it is certainly not "less systematic" (September 9). Quite the contrary: the IoD survey is very systematic.

The institute's survey is based on a sample of the IoD's 33,000 UK members. The sample, which reflects the membership in terms of company size, sector of operation, position in company and geographic location, is taken from a randomly selected list of names drawn from the IoD membership data base. It is as systematic and as valid as any of the major surveys of voting intentions where 1,000-2,000 respondents are contacted.

The IoD survey is also "systematic" in so far as it covers the entire economy, not just manufacturing, because of the IoD's membership itself corresponds closely to the pattern of business activity in the UK. Its special features are that it is conducted by telephone, enabling individuals to be targeted and responses are made by those whose job it is to direct their companies.

Ann Robinson,
Institute of Directors,
116 Pall Mall,
London SW1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

PERSONAL VIEW

A 12-month turnaround for the unemployed

By Richard Layard and John Philpott

As the chancellor, Norman Lamont, has said, unemployment is a price we pay for controlling inflation. But does it really have to be so high? We cannot avoid some short-term unemployment. But there will soon be nearly 1m Britons who have been out of work for more than a year. Long-term unemployment does almost nothing to control inflation.

People who are out of work for more than a year are four times less likely to find work than the newly-unemployed. They become demoralised and lose their habit of work. Employers are loath to risk employing them, so that they cease to be a part of the effective supply of labour.

This is a human tragedy, and an economic disaster. An efficient society prevents long-term unemployment.

Yet almost by mistake we have a system which directly causes it. Our unemployment benefits, though mean, last indefinitely, which makes it possible to survive indefinitely on benefits. At the same time, we do very little to help the unemployed find work or improve their skills.

This is the exact opposite of what Beveridge intended. He believed that unconditional benefit should be paid for a limited period. After that, state assistance should be in the form of training or work.

We therefore need a new contract between the state and the citizen. The duty of the state should be to ensure that within a year of becoming unemployed every individual has offers of training and/or work. And the duty of the citizen should be to accept one of a number of reasonable offers.

This general principle is such common sense that any fair-minded person should surely accept it. But how exactly would it be applied?

It could not be introduced overnight. But that is inevitable. We should build a system that can survive the economic cycle and we should stop living from one expedient to another.

The following structure *could* be established within the life of a parliament.

● Each Jobcentre would have the duty to secure offers of work or high-quality training within 12 months for every unemployed person.

● Each unemployed person would have a personal placement officer equipped with on-line information about all vacancies in the country. *If travel agents and stockbrokers need to be computerised, so does the labour market.*

● After six months, if the person was still unemployed and needed to be trained or retrained, he or she would be sent on a high-quality training course – normally full-time – leading to a recognised qualification. Local employers would control these courses and collectively aim (or even guarantee) to employ all successful students.

● People who could not benefit from training would, after nine months, join a special, intensive job club which would provide an accurate account of their capabilities. Any employer hiring a person from this club would get a £1,000 subsidy.

● As a last resort, anyone still unemployed after 12 months would be offered a proper six-month job at a regular workplace, paid at the rate for the job. Hospitals, social services, public works departments or voluntary organisations would be the main employers.

● All the money to finance these activities should be routed through the Jobcentres, which would then buy the most cost-effective deal for their clients.

This plan would, of course, cost money. But it would also save money. When someone is unemployed, the nation typically loses £20,000 a year. *The taxpayers lose £8,000,* the unemployed person £5,000, and companies lose the rest.

If we could eliminate half a million long-term unemployed, we could save the nation £10bn a year and save the exchequer £4bn. This could be achieved within five years at a cost to the exchequer of less than £2bn year. What a bargain. If the number to be coped with were larger, the costs would be larger, but so would the benefits.

It is a matter of spending money to save money. In places such as Germany and Sweden the argument is better understood than in Britain. These countries spend substantially more on "active" help to the unemployed, as compared with "passive" benefits. And they have less long-term unemployment.

In 1990, these countries persuaded the Council of the Organisation for Economic Co-operation and Development to propose a new framework for labour market policy, with priority for "active" help. But little has happened in the UK.

One problem comes from our system of departmental responsibilities. If the Department of Employment's programmes save money on benefits, those savings go to the Department of Social Security. The answer here is simple: put benefits under the Employment Department (just as Jobcentres and benefit offices are together).

All these changes will take time. In the first years, while recession persists, they will be hard going. And they will be far more effective if accompanied by wage-bargaining reform, making possible a more buoyant economy.

But the key decision is one of principle – to have a system which prevents long-term unemployment. With rising numbers of pensioners and decaying cities, it is mad that people who want to work should spend years in idleness.

Cheap schemes to improve the figures do little good. Instead, we should be serious about our human resources and give help that really helps. So let us adopt one simple commitment: to stop unemployment lasting more than a year.

Richard Layard is director of the Centre for Economic Performance at the London School of Economics. John Philpott is director of the Employment Institute. Their book, Stopping Unemployment (£3.95), is published tomorrow by the Employment Institute, Southbank House, Black Prince Road, London SE1 7SJ.

Edward Mortimer

The pursuit of greatness

Patriotism should be separated from the state. Two books show why this is difficult for the British

FOREIGN AFFAIRS

What a pity it is that Robert Birley is not alive today. What intense pleasure he would take in explaining the background to all the national struggles that have resurfaced with the collapse of communism, and how enjoyable it would be to listen to him. He was headmaster of Eton when I was there, and one of those great teachers whose enthusiasm for his subject was so palpable you could not help being infected by it; and no subject excited him more than nationalism.

"I do not believe for a moment," he said in 1973, "that the Soviet Union has finished with the problem of nationalism". And in the same lecture he warned that "of all the nationalist movements in Europe today none is more violent or more likely to cause a revolution than the Croat national movement in Yugoslavia", going on to point out that Serbs and Croats are divided not by language but by alphabet and spiritual allegiance. "And behind that we find the epoch-making decision of the Emperor Diocletian in AD 285 to divide the Roman Empire, for the line between the Churches still approximates very closely to this line of seventeen hundred years ago."*

He began the lecture by pointing out that there is nothing new about national feelings or the sentiment of patriotism, and quoted lyrical passages about Italy from Dante and Petrarch. But, he went on, "it never crossed the mind of either Dante or Petrarch that Italy might be united to form a single independent state". It was only at the time of the French revolution that nation and state came to be identified, while according to Lord Acton, the partition of Poland (1795) "awakened the theory of nationality in Europe ... Thenceforward there was a nation demanding to be united in a State – a soul, as it were, wandering in search of a body to begin life again".

But where does Britain fit into all this? Many people see England as the first and most successful nation-state. Although Birley cited Shakespeare alongside Dante and Petrarch as part of the long pedigree of patriotism, he could not say that it "never crossed the mind" of Shakespeare that England could form a single independent state, since in his time it already did; and moreover the very lines he quoted from Shakespeare's Richard II *directly associate patriotism with the state:* "This royal throne of Kings, this sceptred isle, This earth of majesty, this seat of Mars..."

This is even more true of British patriotism. One can, if one tries, think of England as essentially a place. But it is very difficult to think of Britain as anything except a state, and an imperial state at that. "Great Britain" was originally a geographical expression, distinguishing *la grande Bretagne from the other* Bretagne across the Channel, or possibly the largest of the British Isles from the next largest, better known as Ireland. But in ordinary language today "Britain" is synonymous with the United Kingdom, and most people seem to think, or assume without thinking, that it was called Great in reference to its power and status in the world. Was that not implied in Mrs Margaret Thatcher's 1987 election slogan, "Britain is Great Again"?

Thus the British national identity is intimately bound up with the idea of Britain as a state, and even as a great imperial power. This point is vividly illuminated in two books by British historians published this month: The Pursuit of Greatness, by Robert Holland (Fontana, £6.99), and Britannia Overruled, by David Reynolds (Longman, £26.00). Both are essentially histories of British foreign policy in the 20th century, and both take as their main focus the effort devoted by Britain's governing élite to maintaining the country's status as a great power, at a time when its power was, in fact, bound to decline because, as Mr Reynolds puts it, "power is not a possession but a relationship".

Britain was uniquely powerful in the mid to late 19th century not so much because of its intrinsic strength as because it had no global rivals, while in Europe there was "a temporary equilibrium". Even then, Britain was not a great military (as opposed to naval) power, and Bismarck could say that "if the British army landed on the German coast he would send the local police force to arrest it". Historically, Britain had always relied on allies and coalitions to achieve its foreign policy goals, and in the 20th century, with the rise of new world powers and new technologies of war (especially air power) this became more and more necessary. Europe as a whole has lost power dramatically compared to the rest of the world, and states in general seem to be less powerful than they were, as "the transnational economy has gouged deep into the body politic".

After 1967, Britain became 'a polity at last adapting to the problem of efficiently governing itself, rather than other people'

For individual British people, loss of power has hardly been a disaster. "Being powerful may be desirable," observes Mr Reynolds; "being alive is surely more important. Viewing the century as a whole, Germany's 'rise' has been a good deal more unpleasant for the average German than Britain's 'decline' has been for the ordinary Briton". But for the British élite this has been peculiarly difficult to accept.

That is the theme of Mr Holland's book: that from the Edwardian period onwards the ruling class became obsessed with "a vision of national greatness on which the legitimacy of the status quo had come to depend". As an extreme example he quotes Evelyn Shuckburgh, private secretary to the then Foreign Secretary Anthony Eden, confiding to his diary in 1953: "I ended today extremely gloomy about British prospects everywhere... I see no reason why there should be any end to the surrenders demanded of us. International law and the temper of international opinion is all set against the things which made us a great nation, i.e. our activities outside our own territory. Bit by bit we shall be driven back into our island where we shall starve."

Mr Holland ends his narrative in 1970, arguing that the collapse of sterling in 1967 and the adjustments that followed it, including the withdrawal from "east of Suez", marked the abandonment of the "pursuit of greatness" by "a polity at last adapting to the problem of efficiently governing itself, rather than other people". But Mr Reynolds, more perceptively I fear, sees the story as still continuing. Britain, he notes, has special difficulties in adapting to a world where nation-states are downgraded because the continuity of the state and political institutions – "the Crown in Parliament" – is much more central to British national identity than to that of other European nations, whose national cultures have survived long periods of political disunity and/or institutional discontinuity.

What is Britain, if not a state? An island which the English share with the Scots and the Welsh? It was the state that bound the three nations together in one. English people use "British" and "English" as almost interchangeable terms, without thinking about it. Scots and Welsh retained a separate national consciousness, while participating in a highly-successful state enterprise known as Great Britain. For them, as for other European nations, it is no problem to retain the same national consciousness while participating in another enterprise, which in the new circumstances has more to offer, called Europe. But the English have more difficulty in detaching their national feelings from the sovereignty of the British state.

* *The lecture is reprinted in History and Idealism (John Murray, £15.95), a collection of his essays, addresses and letters published last year by his son-in-law Brian Rees.*

FINANCIAL TIMES
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Bosnia-Hercegovina asks for monitors in face of growing threat from Serb forces

Yugoslav republic makes plea to EC

By Judy Dempsey in London and **Laura Silber** in Belgrade

BOSNIA-HERCEGOVINA will press the European Community to send monitors to what is one of Yugoslavia's most potentially volatile republics, a senior Bosnian official said yesterday.

EC monitors are already in the republics of Croatia and Slovenia, which declared independence from the Yugoslav federation on June 25.

Mr Rusmir Mahmutcehajic, the deputy prime minister of Bosnia-Hercegovina, said Serb paramilitary forces were now stepping up their attempts to carve out a greater Serbia.

Any break-up of Bosnia-Hercegovina would provoke ethnic conflict between the republic's three largest ethnic groups, which have co-existed peacefully since the Second World War.

These groups consist of Moslems, who make up over 43 per cent of the 4.3m population, Serbs (33 per cent) and Croats (17 per cent).

Mr Mahmutcehajic said Serbs in the west of the republic, which borders Croatia, already controlled large parts of the border areas.

They also control the television station in the town of Banja Luca, broadcasting news only from Belgrade Television, which is censored by the Serb leadership.

"Croat forces are fighting Serb rebels from Krajina. However, Serb paramilitary forces from Bosnia-Hercegovina are attacking Croat forces in Croatia," Mr Mahmutcehajic explained.

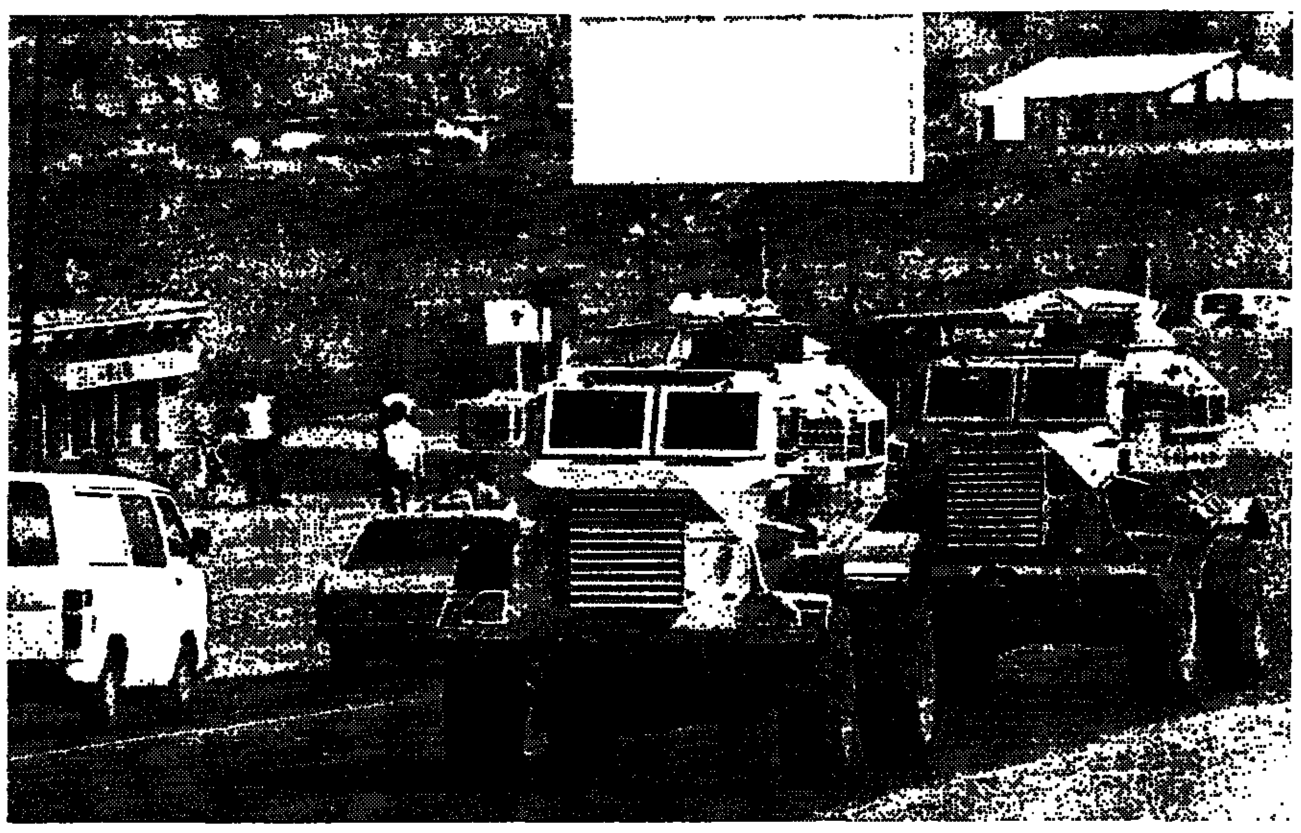
He added that the Serbs in the Krajina, a region in south-western Croatia, who earlier this year declared their autonomy from the republic, and Serbs in northern Bosnia-Hercegovina had almost achieved their goal in forming a corridor linking the Krajina with the republic of Serbia.

EC monitors will step up their work as the EC sponsored peace conference reconvenes tomorrow in The Hague.

The monitors, who will number more than 300, have already spent the past few days travelling around Slavonia, eastern Croatia, a region which has taken the brunt of attacks by Serb militants and the Yugoslav federal army.

Belgrade radio yesterday reported that "15 Croat soldiers and four Serbian territoral defence members were killed during overnight battles between Croat security forces and Serbs in Kusinje, a village two miles outside Pakrac. Croat security forces remain in control of Pakrac, a town 70 miles east of the Croatian capital Zagreb."

Croatian radio reported that "three Croat soldiers were killed and nine wounded after fierce battles in the region of Dalamtia around the villages of Krusevo and Jasenice, 60 miles north-west of the Serbian stronghold of Knin."



Armoured vehicles patrol Soweto after yesterday's violence in which six people were killed, taking the death toll since Sunday to 78. Three of the victims were women

Abu Dhabi ruler leads BCCI probe

By Richard Donkin, in Abu Dhabi

A KEY Abu Dhabi government department, headed by an official singled out in a report to *the Bank of England as having* knowledge of the fraud more than 18 months ago, was behind the detention of 36 senior executives of the Bank of Credit and Commerce International at the weekend.

According to one source familiar with the Abu Dhabi financial establishment, Sheikh Zayed bin Sultan al-Nahyan, the ruler, has taken personal control of the handling of the BCCI affair, deciding to move against many of the principal figures in the bank.

These include Mr Swaleh Naqvi, the former chief executive of BCCI, who was among those arrested on Sunday.

As police released 12 of those originally detained, the round-up was being interpreted by some other BCCI managers as a purge of the bank's Pakistani hierarchy and the boldest attempt yet by the Abu Dhabi *authorities to distance themselves* from the scandal.

The list of senior executives held for police questioning was drawn up within the Department of Personal Affairs, headed by Mr Ghanem Faris al Mazrui, the only one of Sheikh Zayed's advisers singled out by Price Waterhouse in their June 22 report to the Bank England as knowing about the fraud.

Mr Mazrui, Abu Dhabi's sole representative on the main board of BCCI, appears to have the complete trust of the Nahyan family.

The Price Waterhouse report alleged he was involved in the illegal inflation of BCCI's share base. His signature also appeared on the confirmation document of a fictitious loan although he had suggested his name might have been forged.

Background to US hearings..........Page 6

An Abu Dhabi official maintained that the police hit list was drawn up by lawyers and accountants. But a BCCI insider said the main responsibility for compiling the list rested with Mr David Youngman, a former Ernst & Young accountant who now works in Mr Mazrui's department.

Abu Dhabi law allows the detainees to be held for seven days before the police must seek permission from the Ministry of Justice to extend their investigation for 21 days before charges must be laid or the suspects released.

One officer said the biggest surprise among executives had been the detention of Mr Zar Iqbal, the present chief executive officer of BCCI. As the former head of BCC Emirates, he had perhaps the closest relationship with the Sheikh of all BCCI's Pakistani bankers.

The police move coincided with a state visit by Sheikh Zayed to France, one of a number of western nations anxious to rebuild its relationship with Abu Dhabi in the wake of the closure action. Some BCCI officers are interpreting the police raid as a deliberate move against the Pakistani hierarchy. Some 160 mainly Pakistani managers are currently serving in Abu Dhabi among a total of 500 staff, mostly clerical grades.

Other officers detained included Mr Bashir Tahir, Mr Selim Siddiqi, Mr Ameer Siddiqi, Mr Iqbal Rizvi, and Mr Imtiaz Ahmed, all members of the first tier.

IAEA to urge stricter nuclear inspections

By Bronwen Maddox in London

GOVERNORS of the International Atomic Energy Agency, meeting today in Vienna, are expected to recommend more intrusive inspection of countries which have signed the Nuclear Non-Proliferation Treaty to help detection of illicit nuclear weapons programmes.

The move is prompted by the IAEA's discovery since the end of the Gulf war that Iraq had breached NPT agreements on a *"massive" scale. A signatory of* the NPT, Iraq had agreed not to develop nuclear weapons and to allow IAEA inspection of nuclear facilities.

The agency's success in detecting embryonic nuclear weapons programmes in secretive countries will be under particular scrutiny as the governors are also expected to approve a safeguards inspection agreement negotiated with Communist North Korea after five years of negotiations.

The IAEA inspection team in Iraq discovered that the Bagh*dad regime was pursuing three* parallel ways of enriching uranium, the essential and most difficult step in making nuclear bombs.

While the most developed of the Iraqi enrichment methods, electromagnetic separation, looks primitive by present western standards, it is in essence that used by the US in *the 1940s to make the Hiro*shima bomb. Enrichment by centrifuges, a method Iraq had nearly made operational before the war, is of western sophistication. The IAEA concluded *that within 18 months Baghdad* could have produced up to 30kg of enriched uranium, enough for a weapon.

The scale of the Iraqi programme, costing an estimated $10bn, went undetected not just by the IAEA but also by foreign intelligence in the war. Ash Shakart, a centrifuge installation north-west of Baghdad, was first bombed only because a pilot was returning with spare bombs from Baghdad, according to the leader of the IAEA inspection team. The main centrifuge pro*duction centre, Al-Farat, south* of Baghdad, escaped entirely unscathed.

Call for task force

Continued from Page 1

Mr Frans Andriessen, EC commissioner for external relations, said that "it's quite clear that the food situation can be crucial this winter. There will be very serious problems." Warning of soaring food prices, Mr Andriessen said: "We see enormous increases in inflation, we see enormous problems in debt servicing. I don't exclude that desperate measures will have to be taken."

Mr Hurd, speaking after meetings with the Soviet and Russian presidents, said no increases would be made in the food aid already committed until the inter-republican committee had established the true extent of shortages.

On longer term aid, he said that the G7 group of industrial countries and the European Community would await the findings of the international financial institutions, including the IMF and the World Bank, before reviewing their present aid packages.

The World Bank is to send a team of officials to Moscow next week to draw up a revised plan of assistance.

Georgia's crusade

Continued from Page 1

annihilation by the Soviet army. But he contradicted this by saying it was also part of a reorganisation which had been planned long before the coup, even though he cancelled the decision when the coup collapsed.

Accusing Mr Gamsakhurdia of doing the bidding of coup leaders in Moscow, Mr Tengiz Kitovani, the former artist who commands the National Guard, took to the hills with his men the day after the coup was launched on August 19. He is now back at his headquarters just outside Tbilisi, waiting for "the politicians to sort out the political problems".

He says his aim is to defend Georgia against those who oppose democracy – in this case the president – and to prevent his men from being used against the people.

Given the large degree of popular support he still enjoys, Mr Gamsakhurdia could cling to power for some time. But his record is unlikely to win international recognition of Georgian independence, which he so desperately wants.

Fall in UK inflation brings hope of rate cut

By Rachel Johnson, Economics Staff, in London

A SHARP fall in core inflation yesterday gave the British government further encouragement on the economy and prompted speculation that it would try to hasten a pre-election recovery with another interest rate cut.

The Bank of England attempted to suppress market expectations that a reduction in the bank base rate could come so quickly after last week's surprise half-point cut to 10.5 per cent.

Though the Bank deliberately kept the money market short of funds, this failed to prevent the three-month interbank rate closing below the current level of interest rates.

Hopes of an easing in monetary conditions were ignited by clear evidence that underlying inflationary pressures in the economy were subsiding rapidly.

According to the Central Statistical Office, prices of manufactured goods at the factory gate rose by just 0.1 per cent last month, bringing the annual rate down to 5.6 per cent last month, after 5.9 per cent in July.

As the economy is still weak, this is expected to allow the government to cut base rates without risking an inflationary upsurge as the economy returns to trend growth levels in the second half of next year.

The output prices index which excludes volatile food, drink and tobacco, and is regarded as the most accurate measure of underlying inflation by most economists and the Treasury, also showed a striking fall. It dropped sharply, to 4.8 per cent, after 5.1 per cent in July, and its *lowest rate since August 1988*.

As industry surveys and statistical evidence point to continuing falls in inflation, analysts expect Friday's retail prices index to confirm the trend and justify last week's cut in rates.

The authorities, however, are thought to be convinced that a further cut should not be made too soon, and the markets expect one to coincide with the opposition Labour party conference in October.

The annual rate of the RPI is set to fall by a full 1 point to 4.5 per cent on Friday. Last August's rise in oil prices at the start of the Gulf hostilities will have dropped from the index, and mortgage rate reductions to around 12 per cent will have taken effect.

Liberal democrats, Page 8

Japanese market reforms

Continued from Page 1

also calls for greater transparency in the securities industry.

The key proposal for an independent watchdog is highly controversial, since it would weaken the role of the powerful finance ministry. But the finance ministry could exercise great influence since it would probably be the main source of personnel for any new supervisory unit.

● Mr Minoru Segawa, the supreme adviser of Nomura Securities, the Japanese broker, died yesterday at the age of 85. Mr Segawa was president from 1959 to 1968.

THE LEX COLUMN

The board maintains its silence

Two successive days of drift in UK share prices reflect economic confusion as much as political jumpiness. Most of the recent indicators – business confidence, retail sales and yesterday's encouraging output prices – seem to be moving in the right direction.

By contrast, with the September reporting season now well under way, there is precious little confirmation from companies that the recovery is being felt where it really matters. Add to this the prospect of more jumbo rights issues and it is easy to see why institutions may be turning cautious. In July (the last month for which figures are available) they put almost twice as much money into gilts as in the first six months of the year combined.

Beazer

The extent to which Mr Beazer is working for the banks will doubtless become clearer with publication of the CHB pathfinder prospectus today. Yesterday's statement, though, indicates that the price of a four-year reprieve includes the bulk of proceeds from the sale of the UK housebuilding and other property and construction assets, and tight control over the dividend purse strings.

Few UK investors who backed Beazer in the 1980s are likely to place their faith in the company's obviously rosy view of US infrastructure spending in the 1990s. Their confidence will hardly be bolstered by a reading of the valedictory profit and loss account. It is no doubt coincidence that the net exceptional items – including a fair value release equivalent to 25 per cent of pre-tax profits – are substantially positive, while the net extraordinaries are heavily negative.

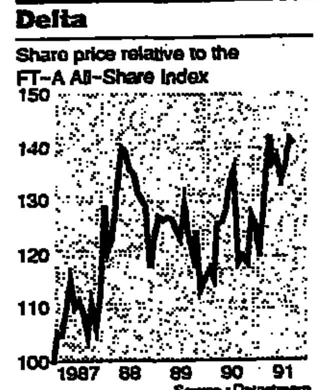
Delta

Delta's 28 per cent first half profits reverse looks like an alpha performance relative to others of its engineering ilk – but the market took a distinctly gamma-minus view of its merely maintained interim dividend. That is unfair. A likely year-end cover of two times or better obviously offers scope to be more generous – but it is surely wiser to take that decision in early 1992 when there should be tangible signs of recovery in its main businesses, rather than now when there are virtually none. Far from being criticised for miserliness, Delta should be applauded for the sort of prudence that has been conspicuous by its absence in other boardrooms.

FT-SE Index: 2,630.8 (-22.4)

Delta

Share price relative to the FT-A All-Share Index



*The good news from yester*day's statement is that this year's drastic volume reductions – in some product areas as much as 40 per cent – have at least come to a halt. Costs have been attacked – with 20 per cent of the workforce disappearing in two and a half years – so there is a genuine operational gearing dimension.

The question is how quickly volumes will recover and how far margins will be rebuilt in the light of aggressive pricing from the likes of the privatised electricity companies.

There is a solid core of institutional support for the shares, but with full-year profits unlikely to be much more than double the first six months,the upside looks limited for the moment. Tangible evidence to justify the rating or an inspired acquisition in Europe or the US would help.

Arjo Wiggins

Arjo Wiggins Appleton's interim results were greeted by a 6 per cent fall in its shares, but that has to be be seen against a near 50 per cent outperformance since Wiggins Teape was floated just over a year ago. Given that the shares have been valued on hopes for eventual faster growth from the merged companies, talk of a second half slowdown was slightly unnerving. AJA has joined the likes of Reckitt & Colman and Burmah Castrol in that the operational benefits of takeover or merger have been postponed or reduced by the recession, leaving the companies reliant on cost-cutting for the moment.

All the same, it is hard to ignore the 12 per cent increase in interim operating profits from AWA's paper manufacturing business, and the 1 per cent increase in group operating margins.

Appleton in the US grew its operating profit by 27 per cent, benefiting from Boise Cascade's withdrawal from carbonless paper. Management has not made any obvious false moves.

It all suggests that if expensive problem areas such as eucalyptus pulp manufacturing in Spain and the minority interest in a Portuguese pulp mill can be resolved, the group will be able to justify its initial hopes for the merger. News that Soporcel in Portugal is once again close to disposal might counter yesterday's disappointment a little. Assuming £250m this year, the shares are on a multiple just below the market average; that seems about right.

Water sector

The government's attempts to shed the UK's image as the dirty man of Europe is having a curious effect in the water sector. Thanks to the so-called Patten proposals (which in March last year pre-empted the more embarrassing bits of the EC waste water directive) and to a deal made a few months later by the government to avoid prosecution for foul beaches, the water industry is under pressure to accelerate its capital spending programme.

However, the burden falls very unevenly across the sector, mainly on South West Water and Southern Water. The imbalance could yet affect the wider debate on price setting in the water industry. So far, Southern has dragged its feet, but South West has said it intends bringing forward expensive improvements to its long sea waste outfalls. It will be spending up to £320m extra this year, equivalent to 40 per cent of its entire capital programme to 1995.

It could find the money by postponing other projects, but is expected instead to ask permission from the regulator to pass on the extra costs to its customers in the form of higher prices. Ofwat will be reviewing South West's application while it is simultaneously bearing down on the prices of companies such as Welsh and Severn Trent. If even one of those compenies tries to tough it out, the regulatory regime will face its biggest test yet.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Berlin	S	22	72	Caracas		-	-	Faro	S	25	77	Islamabad		-	-
Algiers	S	33	91	Biarritz	S	29	84	Casablanca	S	25	77	Florence	S	28	82	Istanbul	F	21	70
Amsterdam	S	22	72	Bombay	Dr	28	82	Chicago	S	21	70	Frankfurt	S	25	77	Jakarta		-	-
Athens	F	24	75	Bordeaux	S	29	84	Cologne	S	25	77	Geneva	S	28	82	Jersey	S	24	75
Bahrain	S	33	91	Boulogne	S	24	75	Copenhagen	F	18	64	Gibraltar	S	27	81	Johannesburg	S	25	77
Bangkok		-	-	Brussels	F	25	77	Corfu	S	27	81	Glasgow	C	16	61	Lima		-	-
Barcelona	S	29	84	Budapest	S	22	72	Dallas	S	22	72	Helsinki	R	13	55	Lisbon	F	25	77
Beirut	S	29	84	Buenos Aires		-	-	Dublin	F	17	63	Hong Kong	S	32	90	London	C	21	70
Belfast	S	18	64	Cairo	S	35	95	Dubrovnik	S	24	75	Innsbruck	S	25	77	Los Angeles	S	17	63
Belgrade	F	21	70	Cape Town	S	17	63	Edinburgh	F	19	66	Inverness	F	14	57	Luxembourg	S	24	75

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	25	77	Milan	S	24	75	Nicosia	S	29	84	Salzburg	S	26	79	Tenerife	S	27	81
Madrid	S	29	84	Montreal	C	17	63	Oporto	F	25	77	San Francisco	S	12	54	Tokyo	C	26	79
Majorca	F	30	86	Moscow	C	12	54	Oslo	F	17	63	Seoul	F	27	81	Toronto	C	22	72
Malaga	S	30	86	Munich	S	27	81	Paris	S	28	82	Singapore	F	31	88	Tunis	S	30	86
Malta	F	28	82	Nairobi	S	28	82	Peking	C	22	72	Stockholm	C	15	59	Valencia	F	29	84
Manchester	S	21	70	Naples	F	27	81	Prague	S	22	72	Strasbourg	F	27	81	Venice	S	25	77
Manila		-	-	Nassau				Reykjavik	S	8	46	Sydney	R	17	63	Vienna	S	23	73
Melbourne	R	11	52	New Delhi	S	31	88	Rhodes	S	25	77	Taipei		-	-	Warsaw	F	19	66
Mexico City		-	-	New York	F	23	73	Rio de Janeiro		-	-	Tangier	S	29	84	Washington	F	21	70
Miami	F	26	79	Nice	S	26	79	Rome	S	27	81	Tel Aviv	S	30	86	Zurich	S	25	77

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES SURVEY

WORLD CAR INDUSTRY

Wednesday September 11 1991

After stumbling in 1991, world car sales are forecast to recover in 1992, but producers and their suppliers face unprecedented challenges through the 1990s. **Kevin Done** looks at growing trade conflicts as Japan consolidates its position in the US and Europe

Roads ahead look rough

CAR MAKERS in North America, Europe and Japan are operating in an increasingly harsh financial climate. They face heavy losses particularly in the US, where they are assailed by fierce competition and recession.

In Europe the pattern of demand is precariously balanced. Several volume markets led by the UK, Spain and France, have been scored deeply by plunging sales. In stark contrast, record demand in Germany fuelled by unification, has created an unprecedented order backlog, with which car makers have been unable to keep pace. However, the German industry is warning that demand can hardly continue much longer at such overheated levels.

Sales have weakened in Japan after several years of buoyant growth and the profits of some leading Japanese car makers are slipping, although they have still to confront problems on the scale of their American and European rivals. The US big three, General Motors, Ford and Chrysler, were all deep in loss in the first half of the year.

After stumbling in 1991, world car sales are forecast to stage a recovery in 1992, but car producers and their suppliers still face unprecedented and expensive challenges through the 1990s.

■ Environmental regulations are being toughened with costly demands for still-lower exhaust emissions, while regulations governing improved fuel economy and the recycling of old cars appear unavoidable.

■ Recent regulatory developments in the US virtually ensure the electric car will play an increasingly important role on the roads of North America, and probably the world, before the decade's end.

Twelve US states are now considering following California into adopting stringent clean air legislation, part of which would require "zero emission vehicles" (ZEVs) to form a small but increasing proportion of car makers' total sales from the late 1990s.

■ The most dynamic long-term growth in car sales is forecast for markets where many of today's leading car makers are barely represented – in eastern Europe and in Asia (excluding Japan). The opening up of such markets is happening against a background of considerable political and economic uncertainty, heightening the investment risks.

■ Investigations in Europe of car makers' pricing policies in different markets is threatening to undermine the industry's long-standing selective distribution system and could lead to a revolution in the 1990s in the way cars are retailed.

■ The pace of new model development led by the Japanese appears to be remorseless. As model life cycles are reduced the battle by European and US makers to match the leading "lean" producers is intensifying. The gap in productivity, efficiency and quality between the world's leading car makers remains alarming, however, as the battle takes on a global dimension.

■ The focus of Japanese competition is moving to Europe, where the spectre of overcapacity, already a reality in North America, looms as Japanese car makers establish their first wave of transplant (local assembly plant) facilities.

The inexorable rise of the Japanese car makers in North America and in Europe is again fuelling trade conflicts as protectionist pressures grow, particularly in the US.

The big three US car makers have broken with tradition by joining forces to lobby the US government about the woes being suffered by the domestic car industry.

Earlier this year Mr Robert Stempel, chairman of General Motors, Mr Harold Poling, chairman of Ford, and Mr Lee Iacocca, chairman of Chrysler, made a joint lobbying visit to Washington for the first time in nearly a decade. In a letter to President George Bush, Mr Iacocca claimed the domestic US car industry was "confronting a serious problem that threatens our survival".

Apparently to little avail, the US car producers have sought a "temporary market share standstill" for Japanese car makers in the US, where their share has now reached around 30 per cent. Mr Iacocca has voiced the concern that the Japanese share in the US could reach "40 per cent or more unless they exercise some kind of restraint.

"At a Japanese share of 40 per cent in a depressed industry Chrysler is gone and Ford could be mortally wounded from a competitive stand-point," said Mr Iacocca. "Even GM is at risk unless and until we decide as a nation that a domestic auto industry is a strategically important industry and should not be allowed to fall victim to Japan's industrial strategy of targeting key industries."

The big three have inflamed the debate by filing dumping charges against Japanese mini-van imports into the US, and similar charges could follow against Japanese luxury cars.

In Europe, Japan and the European Community have recently ended their prolonged wrangling over trade in cars in the single European market after 1992, but scepticism remains on how the agreement reached at the end of July will work in practice, and whether the market will in fact be fully liberalised after 1999.

Interpretations of the deal among EC member states are already far apart with the UK insisting that it sets absolutely no limit on the build-up of Japanese assembly capacity in Europe, while protectionist voices in France and Italy claim privately that safeguards have been agreed.

A process of six monthly monitoring of Japanese auto exports to the EC, beginning in 1993, has been accepted by Brussels and Tokyo. The monitoring is to be conducted throughout the planned seven-year transition to a liberalised market. It is likely to provide fertile ground for repetition of the protectionist debate, as the perception grows of the damage being inflicted on the European motor industry by increasing Japanese sales and the expanding Japanese share of the European market.

While the 1980s was the decade in which the Japanese car makers concentrated on building their production presence in North America, the 1990s is the decade in which they are switching their attention to Europe.

Nissan has been producing cars in the UK since 1986. Volumes were modest at first, but this year output should reach 120,000 cars and will grow to 220,000 in 1992/93. Next year production begins at Toyota and Honda's first European car assembly plants – both located in the UK, which Mr Jacques Calvet, the protectionist chairman of Peugeot of France, has variously called "a Japanese aircraft carrier off the coast of Europe" and "Japan's fifth largest island". Honda also owns 20 per cent of Rover, the UK car maker.

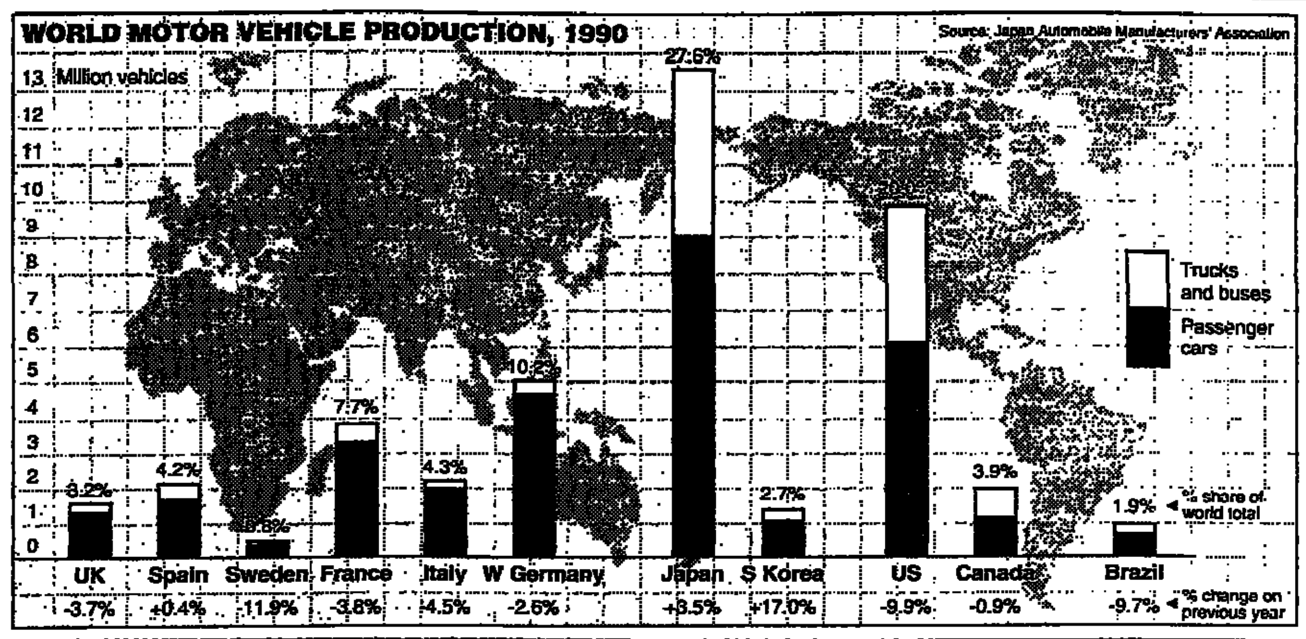
Late last month Mitsubishi Motors finalised a deal with Volvo of Sweden and the Dutch state, to create a joint venture in the Netherlands with the aim of producing 200,000 cars a year in the second half of the 1990s. Suzuki is established in Spain and is planning to assemble cars in Hungary, which leaves only Mazda of the leading Japanese car makers still to arrange its entry into manufacturing in Europe.

As a harbinger of another line of attack Honda and Mitsubishi Motors have started this year to ship cars to Europe from assembly plants established in the US in the 1980s.

Japanese car makers have around 11.6 per cent of the total western European market, but what they can achieve in unprotected European markets without a domestic producer is already evident. While they captured a 5.1 per cent share of the "restricted" European markets last year, they controlled more than 30 per cent of the "open markets".

With a disturbing competitive advantage in manufacturing productivity, the effectiveness of new model development and the speed and variety of new model offerings they pose a formidable challenge.

WORLD MOTOR VEHICLE PRODUCTION, 1990



Can the new VW Golf remain Europe's best-seller . . .

. . . in competition with the new Opel/Vauxhall Astra?

IN THIS SURVEY

Editorial Production: Roy Terry

WORLD CAR INDUSTRY 2

Kevin Done looks at UK prospects

Japanese march in to expand capacity

THE 1990s are supposed to be the decade of opportunity for the motor industry in Britain.

More car assembly capacity is under construction than anywhere else in Europe, and by the mid-1990s output is forecast to be more than double the crisis level of the early 1980s. As the Japanese carmakers march in, component suppliers that have previously shunned manufacturing in the UK are following in their wake.

In the short term, however, the industry could be forgiven for thinking that it was slipping back into the dark days of the late 1970s and early 1980s. The decade has begun with the steepest slide into recession since the war.

After five successive record years from 1985 to 1989, UK new car sales have fallen ominously. Registrations last year were down by 12.7 per cent – admittedly from a record level – and sales have plunged by a further 25 per cent in the first seven months this year, a period in which registrations were 33 per cent lower than two years ago. UK producers have forecast a fall in new car sales to around 1.55m this year from 2m in 1990 and a record 2.3m in 1989.

The UK motor trade and industry is facing a further 40,000 job losses by next summer, bringing the total to 68,500 since mid-1990, according to the Society of Motor Manufacturers and Traders, the UK motor industry trade association. At the same time, the Retail Motor Industry Federation believes that 800 franchised dealers will have been forced out of business by mid-1992 as a result of the decline in the car market.

Among UK car makers Jaguar, the luxury car producer taken over by Ford of the US for £1.6bn at the end of 1989, has been one of the hardest hit, as it has suffered the impact of the recessions in both the UK and in the US, its two most important markets worldwide.

It is being forced to make severe cuts in its workforce and job losses in the second half of this year mean that Jaguar will have cut its workforce by 30 per cent in 12 months to less than 8,500. Jaguar output is expected to fall by 40 per cent to less than 25,000 this year, the lowest level since 1982 and less than half the peak level of 51,939 reached in 1988. Sales worldwide plunged by 42.4 per cent in the first seven months to 14,808.

A £66m loss at Jaguar, coupled with the financing costs for the very expensive takeover, helped to push Ford of Britain, now the Jaguar parent company, into a £274m pre-tax loss last year, compared with a pre-tax profit of £483m in 1989, the first loss suffered by Ford in Britain since 1971.

Ford is cutting its UK workforce and other carmakers, including Rover, Peugeot-Talbot and Rolls-Royce Motor Cars, are also shedding labour in the face of the severe downturn in demand.

Surprisingly, car output in the first seven months of 1991 at 796,434 was actually 7 per cent higher than in the corresponding period last year, although it was still 2 per cent below the level of two years ago. UK car production has been supported by the unexpectedly strong growth of sales in export markets, although the SMMT has warned recently that the rate of growth in exports will slow significantly in the final months of the year.

Ford, Rover, General Motors (Vauxhall) and Nissan have all sharply increased exports this year, partly in response to the big jump in new car demand in Germany. Production of cars for export in the first seven months rose by 109.5 per cent to 373,442 from 178,255 a year ago, while output for the domestic market fell by 25.3 per cent to 422,992.

Production at Nissan's plant at Sunderland in north-east England, the first Japanese car assembly operation in Europe, which began at low volume in 1986, is now rising quickly and is expected to reach 120,000 compared with 76,000 in 1990.

A further boost will be received next year when Nissan begins output of a second car range at the plant and the full capacity of 220,000 cars a year could be reached in 1993.

The export programmes at Vauxhall (the UK subsidiary of General Motors) and Ford, which stem from changes in sourcing policy by GM and Ford's European operations, have helped to cushion assembly plants at Luton and Ellesmere Port (Vauxhall) and Dagenham (Ford) from the impact of the recession.

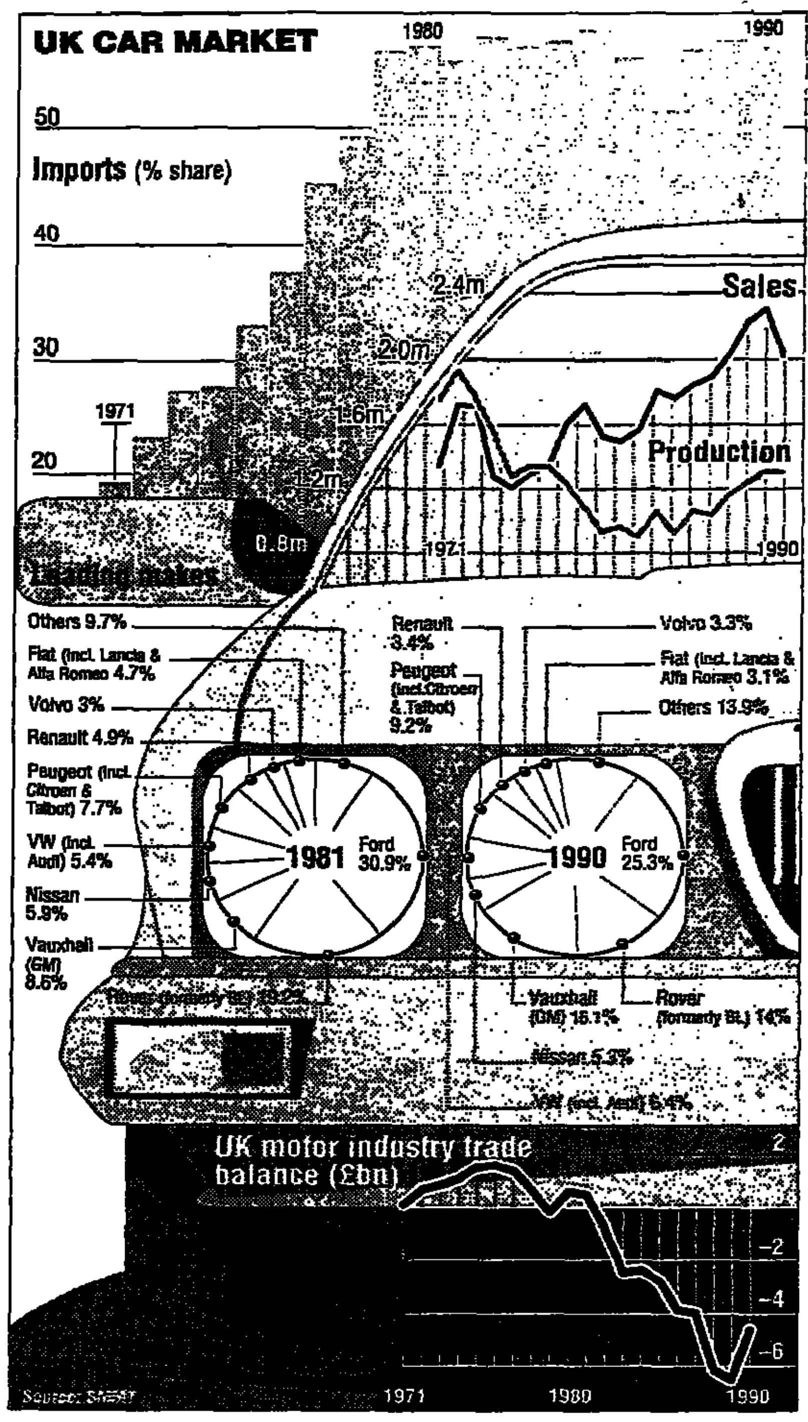
One benefit from the recession has been the unexpectedly rapid improvement in the UK motor industry trade balance, which has languished in deficit for most of the 1980s. In the first six months the deficit was reduced by 79 per cent to only £617m from £2.987bn a year ago. The value of UK motor industry exports rose by 18 per cent to £5.474bn, while the value of imports fell by 20 per cent to £6.091bn.

The improvement has been driven by the recession, which has sharply depressed imports of new cars and commercial vehicles, and by the marked improvement in exports.

In spite of the retrenchment brought on by recession, the accent through the 1990s in the UK car and components sectors is still expected to be firmly on expansion with optimistic forecasts suggesting a leap in UK car assembly capacity from 1.7m in 1989 to 2.7m-2.8m by the end of the decade.

The sector's prospects are being transformed by the wave of inward investment by Japanese car makers into the UK. It appears certain that by the second half of the 1990s Japanese carmakers will account directly for around a third of UK production of some 2m units a year, helped by total planned investments of more than £1.8bn that have already been announced.

- Nissan will build more than 200,000 cars a year at its £700m Sunderland plant by 1992-93. Nissan is also investing in UK R&D facilities.
- Toyota is committed to building 100,000 cars a year by late 1995, rising to 200,000 cars a year by 1997-98 at Burnaston, near Derby. It is investing £840m in car assembly and engine plants.
- Honda is committed to building 100,000 cars a year by 1994 at its £350m Swindon assembly and engine plant. At the same time Rover is producing up to 40,000 Honda Concertos a year at its Longbridge Birmingham plant. Honda holds a 20 per cent equity stake in Rover's vehicle operations.



GERMANY

A powerful impetus

THE ADDITION of the car-hungry east German market has given west Germany's motor industry a powerful and timely impetus at a time when sales in other countries are mostly slowing down.

Not only has German unification led to higher sales of western cars in the east, but it has also boosted western Germany's second-hand car market and thus helped new car sales. With used vehicle prices showing increases of up to 30 per cent as a result of demand from the east, the temptation for west Germans to sell their old models and buy new ones has been immense.

Without the powerful impulse from Germany's five new eastern states, in two of which modern car plants are being built by Volkswagen and Opel, the car industry would be much less buoyant.

Since a high proportion of the western German car industry's sales go to foreign markets, the steep deterioration in export business is a cause for concern. In the first seven months of 1991, car exports slumped by 23 per cent to 1.24m units. Total output, however, was up by 4 per cent to nearly 2.9m cars as the domestic market kept on growing.

Sales also spurted in this period. Some of the domestic sales improvement in July was caused by a concentration of buying just before the ending of tax concessions on purchases of cars using lead-free petrol. New car registrations in western Germany shot up by 33 per cent in January-July to 2.45m cars; in July, the rise was 64 per cent over the same month last year and 26 per cent up on June 1991.

The fervent hope among car industry executives is that by the time domestic growth tails off, as it inevitably must, foreign markets will have picked up. In Europe, says James Capel, the UK stockbrokers, "the phenomenal strength of the German market is at the moment almost exactly compensating for the weakness of other markets, and all producers are attempting to increase their sales into Germany to take advantage of the boom".

For the full year, James Capel expects car sales to show an increase of 20 per cent to 3.93m units, equivalent to 30 per cent of the total western European market, against 24.5 per cent in 1990. But the pace will slow in the second half as a result of consumer tax rises (including petrol) to help pay for unity, rising unemployment in eastern Germany, and the fact that demand was already high in the second half of last year. It expects a rise of 10 per cent in the third quarter and a 5 per cent decline in the fourth quarter.

Next year, Capel reckons the German market will drop by about 7 per cent. For the car companies, the domestic sales bonanza could not have come at a better time. It has enabled them to offset the effect of slowing sales elsewhere, particularly in the UK and Spain and in the US. But the volume producers like VW and Opel (part of General Motors of the US) have been unable to produce enough cars to meet total German demand.

Thus importers have also benefited from rising sales in the enlarged market. Last year, says the German motor industry association (VDA), imports accounted for nearly a third of the domestic market, with new registrations of French cars showing a rise of 20 per cent and the Japanese adding 11 per cent. If the cars made by German producers abroad – as in Spain or Belgium – are included, the import share rises to 38 per cent.

Unification has increased sales of cars in the east

Because west Germany has traditionally been an open market, the import share has tended to be higher than in neighbouring European markets, with the Japanese establishing a strong foothold. But pressures from outside are now increasing and the German producers are well aware that they will be forced to compete even more effectively for the rest of the 1990s, especially against Japan.

After 1992, the EC will be opened up more widely to outside competition, though not all at once. The Japanese will obviously make increasing use of this opportunity, having already begun to sell their new luxury models on the European market in addition to their constantly evolving family and sports car ranges. With German labour costs higher than in Japan and most European countries, and working hours shorter, the going will become rougher, warns the VDA.

Thus the German advantages of high quality, reliability and performance will become eroded. Car and parts producers have complained bitterly about the pay rises of around 7 per cent agreed in the engineering industry this year. Companies are buying an increasing volume of components in lower-cost countries abroad, or shifting output of some products – as in the case of Robert Bosch, the components maker – overseas where output is cheaper.

Germany's two big luxury car makers, Mercedes-Benz and BMW, are well aware that the Japanese have not been idle in their market sectors and that they will have to strain to the utmost to keep profits at levels high enough to finance the high development costs of new cars. Mercedes recently brought out its costly S-class executive model at the top of the range, and is charging a higher price for the car. But all the range will come under increasing pressure.

BMW has just produced the latest generation of its successful 3-series at the lower end of its range. Demand has been high and the waiting lists are long. But the company is concerned that if Japanese rivals pitch the prices of their new models too low, this will cut into BMW's profit margins; these depend on the company's ability to offer a variety of style and equipment options within its basic model range, for which it is able to charge premium prices.

With nearly 800,000 employees, the German motor industry plays a vital role in the German economy. As the VDA emphasises, the key to maintaining competitiveness lies in the cost structure. So far, the German companies have coped with their high costs, not least by producing some highly desirable cars and keeping their performance and environmental standards high. The pressure is on them to continue doing just that.

Andrew Fisher

WORLD CAR INDUSTRY 3

Worldwide new car sales are expected to decline by 3.3 per cent

Prepare for rising demand in less developed countries

WORLDWIDE new car sales are expected to decline by 3.3 per cent this year to 34.4m from 35.6m in 1990, the sharpest downturn since the second oil shock caused sales to collapse in 1980.

According to the world automotive forecast report by DRI/McGraw Hill[1], new car demand in the previously strong markets of western Europe and Japan will drop by 2.2 and 3.2 per cent respectively, while new car sales in North America are likely to fall for the third successive year, this time by 7 per cent.

DRI suggests the depression in the world industry is likely to lift towards the end of 1991, however, as the rapid resolution of the Gulf crisis leads to a gradual recovery in business and consumer confidence.

It forecasts global car sales will grow by almost 5 per cent in 1992 with further steady growth averaging 3.3 per cent a year from 1993 to 1995.

The downturn in western Europe, which has already had a severe impact on the profitability of several leading European car makers, has been softened by the strength of car sales in Germany in the wake of re-unification.

In 1991 car registrations in former East Germany are included in the western European figures for the first time and thus have a distorting effect on the market.

Without sales in eastern Germany, DRI suggests new car registrations in western Europe would be 4.3 per cent lower this year than in 1990. Excluding Germany, western European sales are likely to be around 8 per cent lower this year.

According to the DRI forecast, the surge in new car sales in Germany will weaken significantly in the second half of the year, and sales in western Germany are forecast to fall by around 6 per cent in 1992 before recovering in 1993-95.

After the "disastrous" decline in UK new car sales in 1990 and 1991, with short-term prospects having weakened since the Budget, DRI suggests that sales could recover to around 1.9m next year in what will probably be an election year. The 1992 total would still be the second lowest since 1987, however.

DRI says that the recovery in the UK will be slow with the return to a 2.2m market not expected before 1994 at the earliest.

South Korea will remain one of the world's fastest growing new car markets, having more than doubled in volume since 1987. The market is forecast to reach a new peak of 675,000 this year.

DRI suggests that, notwithstanding the impact of higher automobile related taxes, South Korea will achieved average growth of 9.4 per cent a year and will be close to being a million unit car market by 1995.

The depression in the industry is likely to lift at the end of 1991

In spite of the present dip in worldwide vehicle demand, in a longer perspective sales and production are still set for strong growth according to the World Vehicle Market Strategic Review And Forecast Databook[2], an ambitious study published last month by Euromotor Reports. It forecasts that worldwide motor vehicle sales will jump by more than 50 per cent in the next 20 years to reach 74.7m in 2010 compared with the 49.3m vehicles sold last year.

According to the report, nearly a third of the growth or 8m units would be accounted for by the net increase in sales in the Asian region, excluding Japan. Asian vehicle sales will approach 12m units in 2010, an increase of almost 200 per cent from 1990 levels.

The most remarkable growth rates are forecast for South Korea, where annual vehicle sales are forecast to rise to 3.4m in 2010 from 977,000 last year. The study says that sales in South Korea will accelerate at such a rate that the national vehicle fleet will jump from 3.3m in 1990 to 24.8m in 2010.

The next most important Asian market will be China, where sales in 2010 are forecast to total 2.6m, a 248 per cent increase from 1990. As in South Korea, these sales will chiefly be met by domestically produced vehicles, creating "immense" demands for vehicle design and tooling services, claims the Euromotor Report.

Strong growth is also forecast in eastern Europe where annual vehicle sales volumes are expected to show an increase of 4.3m units in the next 20 years compared with a rise of 4m in western Europe. With vehicle sales rising from 3.8m units in 1990 to 8.1m in 2010, the eastern European region is set to be come a very important motor vehicle market. The study forecasts sales in western Europe in the same period climbing from 14.9m in 1990 to 18.9m in 2010.

Hitherto, motorisation has been a phenomenon of the western world. Last year western markets accounted for 79 per cent of all vehicle sales and 76 per cent of the world vehicle fleet for only 15 per cent of the world population, says the study.

It forecasts that the less developed countries will gain massively in importance as vehicle markets grow in the next 20 years.

The outlook for 2010 is for more than a third of the world's vehicle sales (35.5 per cent) to be made in the less developed countries, more than triple the share they had in 1960.

The report says that sales rates of vehicles in the less developed countries are lagging those in the more developed countries by around 35 years. The more developed countries absorbed 13m vehicles in 1960, a demand level that will be reached in the less developed countries in 1995.

The report warns western car makers to maintain and build their strategic positions in the less developed countries as "by far the majority of the rising demand in the less developed nations will be met by local assembly and or manufacture".

In the more developed countries, car sales in the next 20 years are forecast to increase by 40 per cent and commercial vehicle sales by 62 per cent.

The study warns that the numbers of vehicles needing to be scrapped in 2010 will be "immense on a global basis".

"Underlying the worldwide sales in 2010 of almost 75m cars and commercial vehicles will be the scrapping of some 55m vehicles. This is double the number scrapped as recently as 1985 and a 70 per cent increase from the more than 32m vehicles that went to auto graveyards in 1990.

"The forecast scrap rate only 20 years from now – 220,000 vehicles every working day – has immense implications for the global infrastructure that deals with the recycling of vehicles and their components and materials."

1 World Automotive Forecast Report, DRI Europe, Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU.

2 The World Vehicle Market Strategic Review and Forecast Data Book, Report no.005, Euromotor Reports Ltd, 105/106 New Bond Street, London, W1Y 9LG. Price £995.

Kevin Done

WORLD CAR SALES FORECAST (000s)*

	1989	1990	1991	1992	1995
WORLD TOTAL	35,377	35,615	34,428	36,101	39,835
Germany**	2,832	3,041	3,563	3,422	3,667
Italy	2,362	2,348	2,234	2,264	2,350
UK	2,301	2,009	1,700	1,910	2,252
France	2,274	2,309	2,131	2,377	2,392
Spain	1,124	982	895	983	1,337
EC total	12,261	12,154	11,925	12,429	13,563
Western Europe total	13,415	13,197	12,901	13,442	14,730
Eastern Bloc total	2,278	2,299	2,046	1,937	2,393
US	9,867	9,483	8,704	9,430	10,103
North America total	10,855	10,369	9,644	10,488	11,230
Japan	4,404	5,103	4,941	5,056	5,497
South Korea	500	604	675	734	947

WORLD CAR PRODUCTION FORECAST (000s)*

	1989	1990	1991	1992	1995
WORLD TOTAL	35,628	35,855	34,622	36,341	40,060
Germany**	4,564	4,661	4,621	4,683	5,007
France	3,409	3,295	3,089	3,305	3,614
UK	1,229	1,296	1,277	1,370	1,804
Italy	1,927	1,875	1,776	1,807	1,908
Spain	1,639	1,679	1,593	1,588	1,856
EC total	13,316	13,238	12,780	13,199	14,713
Western Europe total	13,701	13,574	13,141	13,604	15,164
Eastern bloc total	2,455	2,464	2,246	2,266	2,735
US	6,967	6,296	6,022	6,478	6,635
North America total	7,973	7,366	7,023	7,572	7,951
Japan	9,052	9,948	9,577	9,946	10,458
South Korea	860	920	1,031	1,181	1,604

* 1989-90 actual, 1991/95 forecast; ** From 1991 Germany total includes East German states
Source: DRI World Automotive Forecast Report

The European road is bumpy

Battleground of the industry

EUROPE is becoming the main battleground in the world automotive industry in the 1990s with Japanese car makers set to increase rapidly their market share with the build-up of local production.

The agreement by the European Commission and Japan at the end of July on the issue of Japanese car sales in Europe, appears effectively to have frozen to the end of the decade the level of direct exports of cars and light commercial vehicles from Japan to the EC.

The agreement, reached only after years of negotiations among EC member states themselves as well as between Brussels and Tokyo, suggests a level of direct imports from Japan in 1999 of 1.23m vehicles (cars and light commercial vehicles up to five tonnes) compared with 1.24m in 1989.

The way appears to have been left open, however, for Japanese car makers to build up significantly the volume of vehicles assembled at so-called transplants, Japanese plants in Europe, with no restrictions being placed either on Japanese investment or on the free circulation of European-built Japanese vehicles in the Community. Japanese vehicle makers also appear to be free to export cars from the US to Europe outside any ceiling.

When the deal was announced Brussels made clear it had estimated output of Japanese cars in Europe could rise to 1.2m by 1999. Already the interpretations of the agreement have begun to differ greatly, however, with London insisting no limit has been set on the level of transplant production, while French car makers appear to consider the 1.2m units as a ceiling.

The Economist Intelligence Unit forecast recently that Japanese vehicle manufacturers could produce more than 1.8m vehicles a year in Europe by 1999, including cars and light commercial vehicles, compared with 257,000 in 1990.

Under the deal between the European Commission and the Japanese Ministry of International Trade and Industry, Japan will monitor exports to the EC in accordance with a forecast level of exports in 1999 of 1.23m, based on an assumed level of demand in the EC of 15.1m (cars and light commercial vehicles) in that year.

Most analysts consider sales will easily exceed this level by 2000, however, as the EC forecast suggests only a minimal growth of 0.8 per cent a year from the 13.946m vehicles (cars and light commercial vehicles) achieved in 1989.

Included in the overall export figure of 1.23m are sub-ceilings for exports to the five EC states – France (150,000), Italy (138,000), Spain (79,000), Portugal (23,000) and the UK (190,000) – which now impose national curbs on Japanese car imports.

The five EC states have promised to end their national restrictions by the end of 1992, by when the EC will also have introduced single-type approval for cars, therefore greatly simplifying the engineering of cars for sale in Europe by allowing common specification standards.

From 1993 until the end of the century it will be up to the Japanese to control the flow of their direct car exports, following consultations every six months with the EC. The aim of the deal is that the EC car market should be fully liberalised from the end of the decade.

Last year, Japanese car registrations in western Europe increased by 5.6 per cent to 1.54m in a total market of 13.2m representing a market share of 11.7 per cent. In the EC the market share was 10 per cent compared with 30 per cent in the Efta countries.

Even before the full Japanese assault on the European market, several of the traditional European producers have found themselves on a bumpy road into the 1990s.

For half a decade the European car industry had enjoyed five successive years of record car sales in western Europe up to the end of 1989. In the past two years sales patterns have begun to diverge sharply in different European markets, however, as demand in several key volume countries such as the UK, France and Spain has nose-dived, while sales in Germany have surged to a record.

While many German car plants are working at full capacity the industry elsewhere has shed thousands of jobs. The profits of some car producers in Europe have plunged, while others have collapsed into loss, in the face of severe sales problems.

The impact of falling demand on car makers has been uneven. With several of Europe's car producers still over-dependent on domestic national markets, some have inevitably been hit hard, where these markets are in recession.

In the first seven months of the year new car sales in western Europe at 8.65m were 4 per cent higher than a year ago with the high level of demand in Germany masking the recession in several other leading European markets.

Excluding Germany, new car sales in western Europe in the first seven months were 10.4 per cent lower at 5.78m.

Germany accounts for one in every three new cars sold in western Europe. In the first seven months this year sales in Germany reached an estimated 2.87m, a 53.8 per cent increase from the 1.87m in the same period a year ago, largely in western Germany. Western car makers began to have full access to the eastern German market from July last year in the wake of currency union.

New car sales in the first six months fell by 24.8 per cent in the UK, 16.6 per cent in France, 16.4 per cent in Spain, 26.7 per cent in Sweden and 38.5 per cent in Finland, the market hit hardest by recession.

Among the big six volume car makers in Europe the strongest performances are by the Volkswagen group, which includes Audi and SEAT, General Motors (Opel/Vauxhall) and Ford, which are the three leading players in Germany.

The Volkswagen group increased its volume sales in the first seven months by an estimated 12.7 per cent allowing it to consolidate its position as the European market leader with a share of 16.7 per cent compared with 15.4 per cent a year ago. The challenge from the Fiat group of Italy (which includes Alfa Romeo and Lancia), the main pretender in recent years to VW's European crown, has faded.

Fiat and the Peugeot group of France have lost ground this year, and Fiat in particular has come under heavy attack in its domestic market, mostly from Ford. Fiat, Renault, Peugeot and Ford have all been forced to resort to idling assembly plants to reduce production during the last 12 months.

On the financial front Renault, the French state-owned car maker in which Volvo of Sweden has taken a 20 per cent stake as part of the two companies' strategic alliance, suffered an 87 per cent drop in net income last year to only FFr1.2bn ($202m) from FFr9.3bn in 1989. In the first half of 1991 it suffered a 65.4 per cent fall in pre-tax profits to only FFr962m from FFr2.778bn in the corresponding period a year ago.

The car operations of its Swedish partner, Volvo, also remained in loss in the first half of 1991.

Among the big six volume car makers in Europe Ford also suffered a harsh financial setback in 1990 with its second worst result in 10 years. The net profits of its European operations fell last year by 79.6 per cent to only $263m from $1.29bn in 1989 and a record $1.56bn in 1988. The net profit of Ford's European automotive operations alone fell by 87.9 per cent to only $145m from $1.19bn a year earlier.

Kevin Done

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-June 1991

	Volume (Units)	Volume Change (%)	Share (%) Jan-Jun 91	Share (%) Jan-Jun 90
TOTAL MARKET*	7,355,000	+1.7	100.0	100.0
MANUFACTURERS:				
Volkswagen (inc Audi & SEAT)	1,217,000	+10.7	16.5	15.2
Fiat (inc Lancia, Alfa Romeo, Ferrari Innocenti, Maserati)	979,000	−9.7	13.3	15.0
General Motors (Opel/Vauxhall, US# & Saab)	934,000	+9.1	12.7	11.8
– Opel/Vauxhall	899,000	+10.0	12.2	11.3
– Saab**	27,000	−18.3	0.4	0.4
Ford (Europe, US# & Jaguar)	895,000	+7.0	12.2	11.6
– Ford Europe	886,000	+7.6	12.0	11.4
– Jaguar	7,000	−35.4	0.1	0.1
Peugeot (inc Citroën)	840,000	−10.0	11.4	12.9
Renault††	710,000	−1.5	9.7	10.0
Mercedes-Benz	248,000	+12.1	3.4	3.1
Nissan	235,000	+17.3	3.2	2.8
BMW	205,000	+3.7	2.8	2.7
Toyota	189,000	+0.5	2.6	2.6
Rover†	180,000	−12.1	2.4	2.8
Mazda	156,000	+8.2	2.1	2.0
Volvo††	111,000	−18.4	1.5	1.9
Mitsubishi	105,000	+16.5	1.4	1.2
Honda†	87,000	+8.0	1.2	1.1
Total Japanese	898,000	+10.7	12.2	11.2
MARKETS:				
Germany*	2,366,000	+50.7	32.2	21.7
Italy	1,327,000	−2.7	18.0	18.8
France	991,000	−16.6	13.5	16.4
United Kingdom	802,000	−24.8	10.9	14.7
Spain	454,000	−16.4	6.2	7.5

* Includes eastern Germany in 1991; # Cars imported from US and sold in western Europe; ** GM holds 50 per cent and management control of Saab Automobile; † Honda holds a 20 per cent stake in Rover vehicle operations; †† Renault and Volvo are linked through minority cross-shareholdings
Source: Industry estimates

EC agreement on Japanese competition buys breathing space for French manufacturers

Considerable weaknesses exposed

LESS THAN two years ago French car makers looked fit and healthy, with strong sales and bright prospects in their home markets and abroad. Since then, their considerable weaknesses, including high fixed costs and heavy dependence on a now nervous home market, have been exposed.

In the agreement hammered out with the European Commission in July, state-controlled Renault and PSA, privately-owned maker of Peugeot and Citroën brands, may have bought themselves some breathing space before the Japanese manufacturers are allowed virtually unlimited competition at the end of 1999. But their task of restructuring and shaping up for the free market is likely to be difficult and may get harder before it gets any easier. Some analysts fear they will never make the grade.

One Paris broker, looking towards the end of the century, forecasts that the European car market will grow at an average of 1.5 per cent for the rest of the decade.

If the Japanese are allowed to take a 16-17 per cent share of the total market, a figure already exceeded in some territories, less than half of the growth will go to European manufacturers. On an individual country analysis the prospects look even worse for the French producers.

The same broker's best case scenario in a free French market is that Japanese manufacturers will achieve only a 7 per cent market share, compared with the current 3 per cent official quota.

His worst case scenario is that Japanese cars will account for 11 per cent of new registrations. As much the largest suppliers to their home market and heavily dependent on it, Renault and PSA are the most likely to lose out. For PSA its market share could drop from 33 to 31 per cent and for Renault a fall from 28 to 26 per cent is quite possible.

When Renault and PSA's foreign sales potentials are taken into consideration, the picture is even worse. Italy, Germany and Spain are currently their

The task of restructuring and shaping up for the free market is likely to be difficult

best export markets. With the exception of Germany, they are also the next most protected and therefore most susceptible to Japanese imports after liberalisation.

That gloomy summary takes no account of the reactions of Ford and Opel, whose American parent companies, after being battered in the US, will be loth to let the red tide wash over them a second time in Europe.

Nor does it consider the effect of Japanese manufacturing in the US (from where they are already free to export to Europe) or Japanese satellite plants nearer home in the UK, Belgium and Spain.

Small wonder, then, that the two French manufacturers lobbied hard to keep the restrictions on the Japanese in place for as long as possible. Small wonder, too, that Mrs Edith Cresson, the new prime minister, whose mission seems to be both controversial and patriotic, supported them in her bull-headed way with vitriolic attacks on the Japanese.

Nor was it surprising that, having secured what was probably the best proposal the French industry could have reasonably hoped for, Mrs Cresson was pragmatically willing to clutch the Japanese nettle and suggest that France would indeed be a good site for a future satellite factory.

Meanwhile, forecourt sales this year have been tough. France was late into the recession but now unemployment is rising steadily.

Consumers have unsurprisingly cut purchases of new cars. Although company cars have been *rising* as a proportion of the market for the past two years, from roughly 19 per cent in 1988 to 23 per cent in 1990, there is not yet the same fleet support for the market as in the UK. The manufacturers, still largely reliant on private purchasers, have been trying all the traditional means of sales support possible, save massive price discounting.

Already ticked off by Mr Pierre Bérégovoy, the finance minister, for increasing their prices above the inflation rate in the past three years, Renault and PSA have both been unwilling to admit they can reduce them.

Mr Raymond Lévy, the Renault chairman, probably has more to worry about than Mr Jacques Calvet, his opposite number at PSA, which is generally regarded as having the stronger product range.

Its small hatchback Peugeot 205, despite its age, remains the best selling car in the country, accounting for 9.3 per cent of all sales. The introduction of the new Citroën ZX earlier this year has helped restore the marque's quality image.

The Renault stable, on the other hand, is beginning to look a little tired. The Clio, its replacement for the R5, introduced in France at the end of last year, has met with only modest success.

In direct competition with the 205, it scored only a provisional 7.7 per cent market share in July.

For the future, analysts foresee little change in policies. The drive for productivity is likely to be the main theme for the rest of the decade.

At PSA, it is taking a radical form. In April the Poissy plant, near Paris, producing the Peugeot 309 and the Citroën ZX, began working four-day rotas in shifts of 10 hours each, much to the horror of the government which is trying to reduce working hours in France.

PSA, which secured union agreement for the 4x10 system, said it was the only way to increase productivity by a quarter and therefore to guarantee employment.

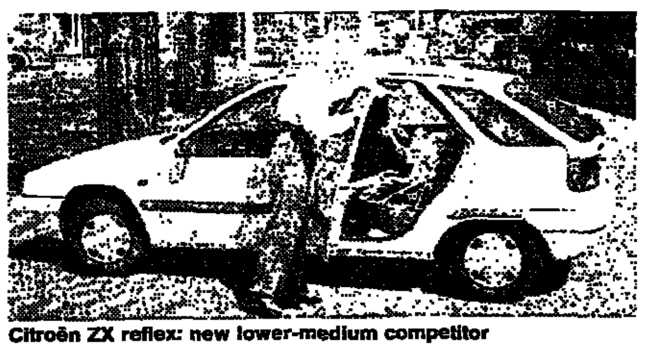
PSA last month acted to improve the productivity of its sales operation and took the embarrassing decision to pull Peugeot out of the US market, having sold only 2,200 cars there since the beginning of the year.

Renault has approached the problem differently. It says its alliance with Volvo, made possible by Renault's change of status from a state guaranteed *regie* into a limited liability company, will lead to an "interchange of functions and components between the two firms and enable the long-lasting gains in productivity and profitability needed for a more secure future".

It already claims a major advance with the arrival of the Clio, which cost FFr6.5bn to develop. Man hours involved in assembly were 18 hours on launch, compared to 22 hours for the Super5 it replaced. Body variants fell from 206 to 27 and the total number of body components dropped from 179 to 119. Now Mr Lévy hopes to cut development time.

Yet not only has Renault's profitability been wobbly in the past few years, but it must also begin to pay back the FFr6.7bn of state aid that the EC has declared illegal. Its problems are the more pressing, but both manufacturers have essentially the same eight-year task ahead of them; grinding away at productivity until it is on a par with the Japanese.

Patrick Frater



Citroën ZX reflex: new lower-medium competitor

New car sales in France (January to July)

Car	1990	1991*	% change	% share
Peugeot	302,000	251,000	−16.9	20.6
Citroen	168,186	147,200	−12.5	12.1
Total PSA	469,758	397,800	−15.3	32.7
Renault	400,765	316,900	−20.9	26.1
Total French	870,631	715,000	−17.9	58.9
Foreign	545,647	499,600	−8.4	41.1
Grand total	1,416,278	1,214,600	−14.2	100

* July 1991 figures are provisional. Source: Comité des Constructeurs/Les Echos

New car sales: France

1988	2,217,000
1989	2,274,000
1990	2,309,000
1991	2,030,000*

* Forecast. Source: Comité des Constructeurs

David Lane looks at the industry in Italy

Fiat's market share drops

THOUGH nobody is talking about crisis at Fiat, the Turin car maker faces testing challenges. Progress in the Italian market by foreign makers has eroded what until recently seemed a secure home base. From 52.8 per cent last year, Fiat's share of car sales in Italy has dropped steeply.

Italian sales by the group, whose badges include Lancia, Autobianchi, Innocenti, Alfa Romeo and Ferrari, have now been overtaken by imports. The *sorpasso* that occurred during 1990 has been confirmed in the first half of the year, *with imports moving further ahead*. Figures from the importers' association Unione Nazionale Rappresentanti Autoveicoli Esteri (Unrae) show that Fiat Group's share is now 47.6 per cent.

Visitors to Italy in the 1960s may remember the almost complete dominance of Italian-made cars on the roads. About six cars from every seven that left the showrooms had been made in Italy. Even during the 1970s two out of three new registrations had come off Italian assembly lines.

The position of Italian makers worsened during the 1980s, when their average share fell to about 58 per cent. By the end of the decade made-in-Italy meant built-by-Fiat, and the group maintained its share. Fiat Group followed its 59.9 per cent of home market in 1988 by taking 57.7 per cent in the following year.

Clearly the 1990s have started badly for Fiat, and many ask when the decline will stop. It is unlikely that marketing staff at Fiat headquarters would have forecast today's position two or three years ago.

It would have taken courage to predict the drop of more than 10 per cent. Are Fiat's forecasters now telling top management that its share will fall by a similar amount over the next two years, as predicted by Unrae?

Officials at the importers' association say that in an industry that has been undergoing a process of globalisation, and given Italy's EC membership, it was impossible for Italian cars to keep their share of the national market.

Other factors have also contributed to Fiat's weakening position. Industry analysts point to a combination of quality problems, an ageing model range and aggressive competition by importers.

Fiat has been unable to lose a reputation for quality shortcomings. While Fiat emphasises the increasing attention it gives to quality, analysts say results do not match the progress of competitors.

The marketing manager of a leading foreign maker suggests Fiat's strong position at home, with buyers who until now have been relaxed about quality, has been an Achilles heel. "Fiat has never faced up to the task of satisfying the more demanding requirements in export markets. This creates problems if it wants to compensate falling home sales by higher exports," he says.

Fiat's model range also helps explain the inroads that foreign cars are making in Italy. The Tipo, launched three years ago, has not been the winner that was hoped in the highly competitive segment C. Figures for the first half of this year show that the drop in sales of the Tipo has been considerably sharper than for the segment as a whole.

Fortunately for Fiat, the evergreen Uno continues to be a success. It remains a constant favourite in spite of its January 1983 launch, and still leads the listings. With more than 200,000 delivered to Italian buyers between January and June, the Uno sold nearly twice as many as its nearest Segment B rival, Ford's Fiesta.

Though the Uno's achievement is considerable, ground is being lost to newer models. Italians are not only being lured into Ford's showrooms by the Escort in Segment C and the Fiesta. Their attention is being attracted and cheque books opened by Volkswagen's rejuvenated Polo and Passat, Renault's Clio and Opel's Vectra.

However, competition is no longer limited to the familiar names of Europe's automobile industry. This year is likely to be remembered for the foothold *secured in the Italian market* by cars with Japanese names. That the frontier has now been breached is recorded in Unrae's statistics.

During the first half of the year Nissan sold nearly 9,000 cars in Italy, followed by Suzuki with 7,000 and Honda and Mitsubishi each with 4,800. Sales at the end of June amounted to almost 35,000, pointing to a full year that exceeds the all-time total imported up to three years ago. Moreover, there has been a radical change in the type of vehicle brought into Italy. Ordinary saloons now comfortably outnumber four-wheel drive off-road vehicles.

Italians are starting to get a taste for the models made by Japanese car makers. And this switch in loyalty is of great concern at Fiat's headquarters.

"Medium-term prospects, together with expectations of a generalised economic upturn, present a picture of greater *complexity of demand and* extremely aggressive competition. On this latter point, there is particular concern about the prospects of large-scale entry by the Japanese automobile industry into the community market." Fiat chairman Giovanni Agnelli told shareholders at the end of June.

Fiat agrees with the line adopted by the hardest European opponents regarding Japanese makers, seeking a gradual lowering of barriers linked to "concrete and credible reciprocity".

However, it is difficult for the Turin group to maintain a tough stance on transplants. Its biggest hope for the immediate future lies with the new Cinquecento Segment A model that is being produced by the FSM plant at Bielsko Biala in Poland and will be launched at the beginning of next year. Fiat must hope that its Polish transplants will enjoy the same quality ratings and customer approval earned by Japan's European transplants.

The Polish venture, continuing a longstanding relationship that has involved the production of the 126 and 125 models, is part of a strategic positioning that seemed to give Fiat a valuable competitive edge as eastern Europe opened up. But *expectations have been scaled* down in recognition of the severe problems faced in the newly-democratising region.

With the large Yelabuga project, announced three years *ago, now put on hold, Fiat's* plans in the Soviet Union centre on boosting capacity and improving the competitiveness of the VAZ Togliattigrad plant. A memorandum of understanding was signed in April that foresees VAZ's privatisation. Fiat's purchase of share capital and involvement in developing and managing the company will further an association that dates back to the establishment of the Togliattigrad plant 25 years ago.

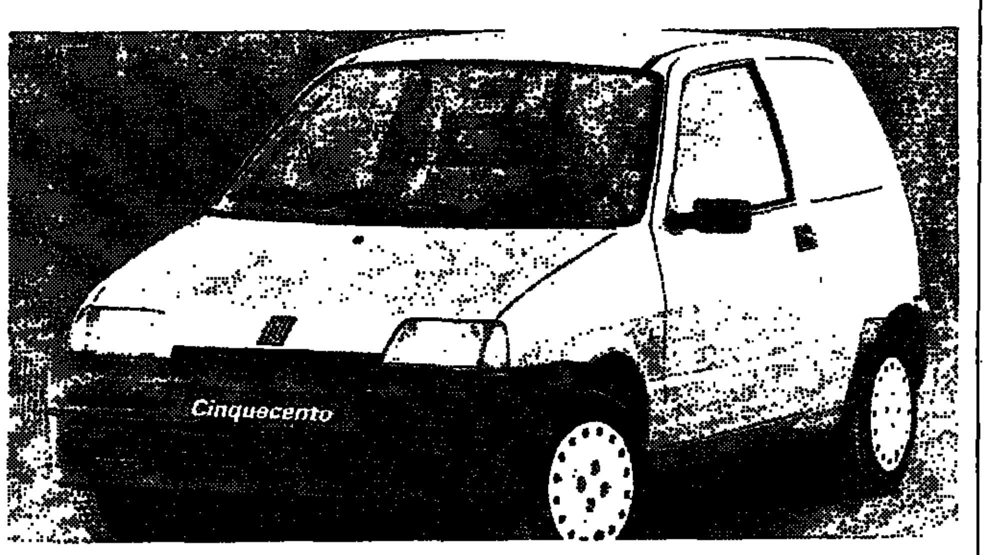
Eastern Europe offers no easy alternative to solving problems at home and in the EC market. As profits decline, speculation continues about possible alliances, with the names of Toyota and Ford often being mentioned. If another Uno was assured and in sight, then reservations about Fiat's capacity and interest in carrying on alone in the automobile business might be less.

However good the Polish *Cinquecento turns out, it will* give low margins in a contracting segment. The three years until the launch of the Uno's successor promise a nail-biting wait.

Fiat

	1986	1987	1988	1989	1990
Financial data (Lbn)					
Net revenues	16,384	22,142	25,454	28,424	27,575
Operating profit	1,578	1,998	2,136	2,362	907
Investment	2,060	2,177	1,875	1,444	1,999
Research & development	376	556	673	821	1,067
Sales data (000 units)					
Italy	1,021	1,234	1,346	1,419	1,231
Share (%)	60.5	59.7	59.9	57.7	52.8
Europe (excl Italy)	509	635	661	698	701
Share (%)	4.8	5.6	5.8	5.8	5.9
Rest of world	181	168	192	167	200
Total Fiat sales	1,711	2,037	2,199	2,284	2,132

Source: Fiat



Fiat Cinquecento (500): to be launched in early 1992 and produced in Poland

Picture: Terry Kirk

Bottleneck: most of the congestion is caused by delivery and service vehicles

URBAN CONGESTION

Search continues for the ideal solution

ONE OF the least desirable effects of the motor vehicle, urban congestion, is something with which we are all familiar and for which most of us have an answer. The problem is that *most answers are different*. One faction lobbies for better roads, another for cars to be banned from city centres. Somewhere in the middle come those who plead that better public transport would wean car drivers from their lonely and frustrating journeys.

The crucial question in this area, seldom asked and never properly answered, is what gravitational force creates a big urban centre. We are, after all, in an age of electronic communication; with a handful of specialised exceptions, our big shopping areas have moved out of large city centres; our living areas moved out of them long ago.

Yet some force causes offices and their attendant service industries to agglomerate in London or New York or Tokyo. This suggests that far from the problems of a congested environment forcing companies and people to move out, there is a critical size beyond which ever more companies are attracted to move in. Nobody seems to know why, yet the answer is crucial to the way traffic congestion is approached.

Some of the truisms of the situation escape the most extreme lobbies on either side of the argument. Full and free movement, the provision of a grid of multiple lane freeways, split-level intersections and huge car parks on the Los Angeles pattern produce Los Angeles results: a sprawl of megalopolis, severe pollution, excessive energy use – and severe traffic congestion. Equally, those who argue for private cars to be banned from city centres forget, or choose to ignore, that most of the congestion is caused by delivery, service and public transport vehicles of one kind or another.

The "anti-car" lobby also seems often to imply that people who drive to work in their own cars do so out of *stupidity* or sheer bloody-mindedness. Its enthusiasm for public transport ignores the fact that the public transport systems of most big cities are already *overflowing and could* certainly not take the full weight of displaced motorists. It is equally clear that the provision of public transport systems is expensive and in its own way environmentally disruptive.

A study of urban transport history seems to show that the real purpose of any new public transport scheme is to speed travel along a particular corri*dor in which congestion is* threatening to reach crisis level; and the process continues to this day, as witness the plans to extend London's underground railway system. The clear implication is that public and private transport must work in unison, not in opposition.

At the more detailed level, there is now great interest in Europe in the potential of electronic controls and computers to ease traffic flows. There is a logic to this, since Europe has by far the largest number of ancient cities – most of them suffering severe congestion of horse-drawn traffic 100 years ago – which cannot seriously contemplate tearing up large tracts of their centres to install split-level intersections. Systems have to be made to work, by and large, on existing road networks. There is, in fact, a recognition that road space is a valuable commodity and that it should therefore be used to maximum efficiency. This is patently not the case if a stationary vehicle is sitting on it.

London made an early and too rarely acknowledged start *in this direction* with its system of computer-linked traffic lights. Critics who doubt the value of such a system should try driving in other big cities (such as Tokyo) which do not have it. Today, however, European minds have moved on and the umbrella EC-sponsored research project aimed at improving matters is Prometheus – the Programme for the Movement of European Traffic with High Efficiency and Unparalleled Safety. Most of Europe's big car and systems manufacturers have undertaken work in some area of the Prometheus programme.

As work has progressed, the potential of the programme has become more obvious. Research and development has been split broadly between *three areas: communication* between vehicles and the environment; between one vehicle and another; and between vehicle and driver.

Communication with the environment – in practice, via some form of roadside data link – has several implications. It means information can be relayed to the vehicle to warn it of congestion ahead and to direct it along the fastest route. It also means that road space can be shared as efficiently as possible. It is quite possible to conceive, along this branch of Promethean technology, the computer-controlled avoidance of vehicle conflict, with opposing traffic streams traversing a crossroads in the manner of the motorcycle display team at the Royal Tournament.

Communication between vehicles offers the possibility, as Volkswagen for instance has already demonstrated in the safety of its own test track, that cars can be operated in close convoy, automatically controlled to run less than a metre apart. Apart from making optimum use of road space, the technique also improves fuel economy by ensuring steady-speed operation and reducing the aerodynamic drag of each vehicle.

Communication between vehicle and driver is proving to be perhaps the most obdurate of the problems addressed by Prometheus. This is partly because this is the one area where there is a large body of existing technology, but also because systems have to be devised which allow the driver to interface without taking his attention off the road ahead (unless his vehicle is under full automatic control). Thus systems based on multifunction display screens need very careful devising, while the assumption that a driver will hear and react to audio signals – via a synthesised voice, for example – has been called into question by research findings.

Above all, two fears must be allayed before such research can be exploited on a large scale. Inevitably there is a fear among drivers that electronic systems will amount to a "big brother" tracking them wherever they go; a fear which presumably will have to be answered along with other civil liberties issues. More fundamentally, there is the question of system reliability. Travelling in the centre of a high-speed convoy, or traversing a junction through what might seem a suicidal gap between a crossing traffic stream is bound to prompt the thought: what happens if something goes wrong? Which is why one of the biggest issues now being tackled by the Prometheus research teams is that of overall reliability and system redundancy.

Jeff Daniels

هكذا فن التعامل

Erteilt auf Grund des Ersten Überleitungsgesetzes vom 8. Juli 1949

(WiGBl. S. 175)

BUNDESREPUBLIK DEUTSCHLAND

AUSGEGEBEN AM 30. OKTOBER 1952

DEUTSCHES PATENTAMT

PATENTSCHRIFT

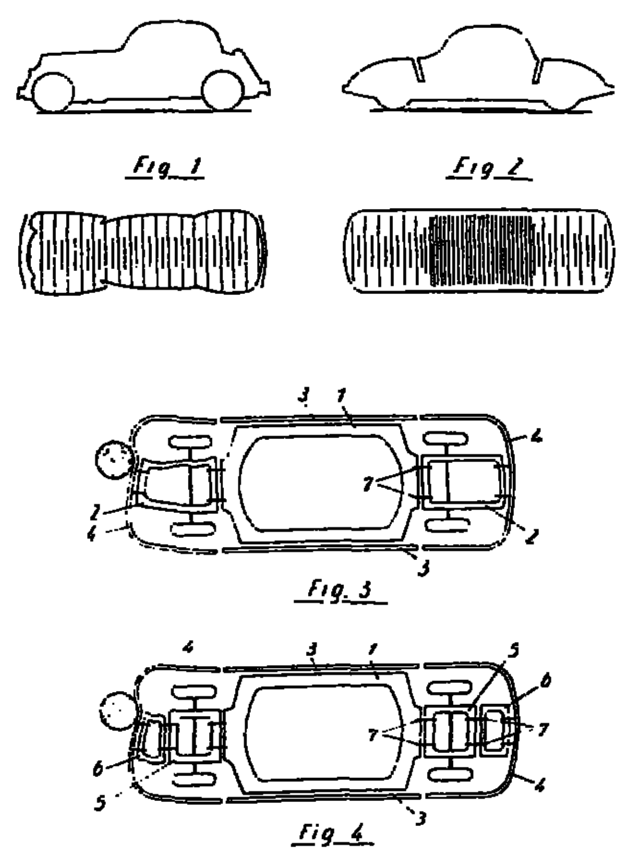
№ 854 157

KLASSE 63c GRUPPE 43₀₁

Béla Barényi, Stuttgart-Rohr ist als Erfinder genannt worden

Daimler-Benz Aktiengesellschaft, Stuttgart-Untertürkheim

Kraftfahrzeug, insbesondere zur Beförderung von Personen



An idea too good not to share

In 1951 Mercedes-Benz patented an invention so important to motoring safety that it was more than merely another competitive advantage. It was literally a life-preserving breakthrough – the rigid passenger safety cell protected front and rear by energy-absorbing crumple zones.

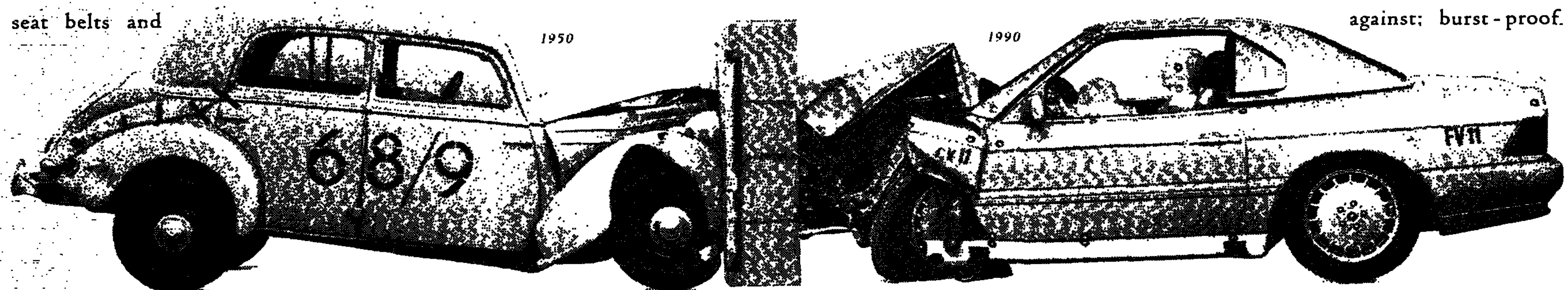
So radical an advance was it that Mercedes-Benz decided it would be socially irresponsible to keep the concept to themselves. It was an idea too good not to share. So, in subsequent years, as other car makers gradually absorbed the lessons of such ground-breaking research, Mercedes-Benz did not once enforce their patent rights. As a result, the motoring world has become a safer place.

Safety Cell Now Fundamental To Car Design

Today the steel safety cell is an almost universally copied concept. But, just as Mercedes-Benz were the only manufacturers in the world with the depth of engineering experience needed to invent the safety cell, so they retain their edge today by conducting the most exhaustive crash-testing programme there is.

Copying a principle is one thing. Fully exploiting its potential is quite another. And Mercedes-Benz are ideally placed to know how well they stand in the safety stakes because they crash test competitors' products as well as their own.

Back in the early '50s, however, only one production car, the Mercedes 180, used the rigid passenger capsule. This was a quantum leap by the company that among other things, had also given the volume production car its first independent front suspension, its first anti-lock brakes, its first impact absorbing air-bag, and was among the first to introduce seat belts and



the collapsible steering column. An inventory of safety engineering that is without peer.

Rewriting The Safety Rules

These days, Mercedes-Benz conduct crash tests every week. And today, as they have since 1951, Mercedes-Benz demand more of themselves than is ever imposed by the safety legislation of any government.

For example, Mercedes-Benz crash test cars for both the 25% and 40% off-set frontal collisions that their research shows are the most common types of head-on accident. Government statute calls for only 100% head-on collision testing, so that is the route the car-making herd follow. But the stresses of all three types of impact are allowed for in every car body built by Mercedes-Benz.

The result is a range of cars, from the 190 series to the new SL sports car, that are uniquely well-equipped to reduce the risk of serious injury in a major accident. No car maker crash tested their cars at all until Mercedes-Benz showed them the value of such a programme. And where Mercedes-Benz led, again the world eventually followed.

Gradually the full safety jigsaw came together as Mercedes-Benz took the next logical step – improving in-cabin protection. Seat belts, for example, were offered as early as the late '50s.

Then, in 1959, as the crash-testing programme taught ergonomic engineers its invaluable lessons, the Mercedes-Benz 220 became the first car equipped with an interior designed to help protect unrestrained occupants during an accident.

New features included a large, padded steering wheel boss; a padded, yielding instrument panel; padded sun visors, window trim and arm-rests; and recessed door handles. And this, remember, was all more than 30 years ago.

Comprehensive Collision Testing

During the '60s and '70s, Mercedes-Benz consolidated their pioneering role in safety engineering. The company was directly involved in developing a lateral roll-over test now used throughout the world. Today, rear-end, side-impact and roof-drop testing are also central to the Mercedes-Benz programme.

Take side-impact testing. Countless experiments have proven to Mercedes-Benz that car doors must combine two essential properties: great impact-absorbing strength that also spreads the protective effort across the even stronger side pillars, floor sills and roof that they must be braced against; burst-proof locks that can nevertheless be easily opened from both inside or outside after a major collision.

There Is Always More To Discover

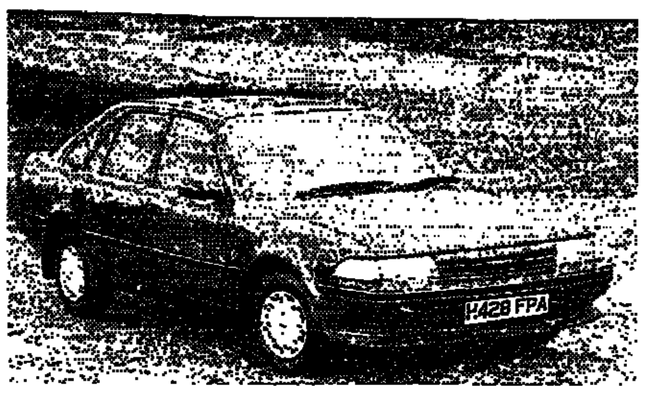
In the 1990s, Mercedes-Benz are pushing as determinedly as ever at the frontiers of safety research. With many hundreds of important patents to their name in safety alone, they continue to add to a storehouse of knowledge that has been garnered, usually in a pioneering role, over the past 60 years.

That rigid safety cell was a pinnacle in a continuous unrivalled record that began with the introduction of independent front suspension to volume cars in 1931, a measure that made them more predictable and sure-footed vehicles to drive. Yet one more idea that was too good not to share.

Engineered Like No Other Car In The World

WORLD CAR INDUSTRY 6

Japanese car production in Europe is set to rise rapidly during the 1990s as investment in car and engine plant capacity increases



Toyota Carina: UK production begins in 1992

All set to begin UK production

TOYOTA, Japan's largest car maker, sold 351,000 cars in western Europe in 1990 and appears on course for a marginal increase this year. Unlike Nissan and Honda, its car sales in the region are made up entirely of imports from Japan.

All that will change from December next year, when the assembly lines start to roll at its £700m ($1,176m) car plant now moving rapidly towards completion at a 280-acre site at Burnaston, Derbyshire.

The plant, which is complemented by a £140m engine-manufacturing facility at Shotton, north Wales, is due by *1995 to be producing 100,000* units a year of a 1.8 litre successor to Toyota's Carina family saloon.

This output is officially

Toyota

scheduled to rise to 200,000 units, possibly through the adoption of a second model, by well before the end of the decade. By then, the two plants should be employing a total of 3,300 people.

In the past few weeks, as the EC and Japan have arrived successfully at an "understanding" on the liberalisation of Japanese car sales in the EC post-1992, the suspicions of some industry observers that these output figures understate Toyota's real intentions appear to have been borne out.

The UK government's own Department of Trade and Industry (DTI) is now known to have internal estimates forecasting that Toyota will be producing 300,000 cars a year in the UK by the end of the decade.

So far at least, Toyota professes to have no explanation of how the DTI has arrived at this figure.

However, the same government estimates - used in establishing the government's stance in the EC-Japan talks - also show Nissan producing 400,000 cars a year in the UK by the end of the decade, compared with 200,000 acknowledged formally by Nissan itself, and 200,000 by Honda, which so far has declared a commitment to only 100,000 units a year.

Such projections imply good news for Europe's components manufacturers, given the commitments of all three manufacturers to "local" - meaning EC - content of at least 80 per cent in full production.

This is particularly the case since Toyota is expected to join Nissan in exporting both UK-built cars and engines, not just to Continental markets but to Japan as well.

Mr Junji Numata, chairman of Toyota Motor Manufacturing of the UK (TMMUK), says that some 40,000 engines a year will be supplied to other Toyota plants overseas, including North America.

Toyota itself recently completed the process of choosing its 150 or so prototype component suppliers, only a handful of which are either Japanese-owned or European joint ventures with Japanese companies.

Successful European companies include the UK's GKN group, Pilkington's Triplex subsidiary, BTR and Pirelli. Even so, it is inevitable that the total of £1.8bn being invested by Japanese car makers in the UK is drawing in an increasing number of Japanese component companies, such as Nippondenso and Calsonic, who will undoubtedly use contracts with the car companies as a springboard for seeking business with indigenous European car companies.

Privately, TMMUK, the UK manufacturing company, has set itself the goal of achieving more than 90 per cent local content - a level which would require gearboxes, also, to be manufactured within the Europe.

This is now understood to be part of Toyota's planning for the UK, although so far it is neither denying nor confirming that such a plant will go ahead.

The UK is not Toyota's only manufacturing venture in Europe, although so far it is the only one involving cars. Since 1989 around 10,000 Toyota light pick-ups have been produced at Volkswagen's Hanover plant in Germany, with two-thirds of output being sold as VWs and one-third under the Toyota badge. Recently, the collaboration with Volkswagen has been strengthened with an agreement under which Volkswagen cars are to be sold through Toyota dealerships, which are to set up separate sales and service outlets for the German cars.

Toyota's overall aim is to at least double its share of the western European car market, *to around 5 per cent, by the* late 1990s.

To achieve this, Toyota is taking firm action to increase the size of its sales networks in western Europe, by nearly one half to 2,500, in particular in its "home" European base, the UK.

To this end, it is taking a progressively larger stake in Toyota (GB), the Inchcape Group-owned importer which has sold Toyotas in the UK for many years.

Under the agreement, Toyota will have 51 per cent control by 1998. To underline the partnership aspects of the deal, however, Toyota has taken a 4.7 per cent stake in Inchcape itself.

Like all Japanese manufacturers, Toyota knows perfectly well that the days of selling in one market cars originally designed for another are well and truly over.

It is for that reason that it has established an engineering and marketing centre near Brussels, at a cost of more than £100m, to develop cars in time with the tastes and other requirements of European buyers.

John Griffiths

More cars from Swindon

HONDA, Japan's third largest carmaker, is now moving on a broad front to expand its presence in Europe, encouraged that the long-sought framework for Japanese car sales in the EC post-1992 is now in place.

Within days of the EC-Japanese agreement being reached last month, Honda announced that it would expand its European dealer network to around 2,000 by the mid-1990s, from its current just under 1,500.

The expansion is needed to cope with a planned increase in west European sales from 160,000 last year - representing just 1.2 per cent of the west European market - to 250,000 over the same period, as Honda starts to feel the benefit of its car manufacturing operations at Swindon in the UK and the post-1992 easing of sales restrictions in other large EC markets such as France and Italy.

The Swindon plant is due to start production of a medium-size family car, code-named Syncro, late next year, with output scheduled to rise to more than 100,000 cars annually by 1995, when 2,000 should be employed there. About half will be sold as Hondas, the other half under the badge of Rover, with which Honda has 20 per cent cross-shareholdings.

Though never confirmed by Rover, the Swindon car is widely expected to provide an upmarket replacement for Rover's ageing Montego range, produced at Cowley to the east of Swindon, in a plant scheduled for closure "in the early 1990s".

Honda's Swindon plant is rapidly taking final shape on a 360-acre site in the Wiltshire countryside. It already employs nearly 700 people and has had engine production on stream for *two years, providing units for the* Honda Concerto/Rover 200/400 models that Rover produces for both partners at Longbridge, near Birmingham. It made 75,000 engines last year and there is capacity for 200,000.

This year Rover will provide Honda with 40,000 Concertos, up from 26,500 in 1990, and expected to remain at that level until 1995, when the models' successors should be due.

The extent to which Honda and Rover will collaborate on future models has been the subject of considerable speculation, largely because of what happened after the launch of their first jointly produced cars, the executive class Rover 800/Honda Legend.

The agreement provided for Honda to build Rover's version as well as its own in Japan, and for Rover to do the same in the UK. Both activities quickly came to an end, requiring the companies to rebut industry rumours that Honda was dissatisfied with its partner's build quality. Such rumours were further fuelled by the poor reputation the big Rover quickly acquired in North America, and the fact that since then executive car replacements have been developed separately.

However such problems, if they existed, appear to have been laid to rest by the successful Rover 200/

Honda

Honda Concerto programme and the taking of cross-shareholdings with Rover, which is 80 per cent owned by British Aerospace. Sir Graham Day, Rover's chairman, says that further clear evidence that the collaboration is alive and well is to emerge later in the decade, when other new model programmes coincide.

Despite the 56 per cent sales growth *Honda envisages in western Europe* over the next four years, Honda insists that none of it will be accounted for by increased exports from Japan. Instead, some of the increase will come from higher imports from Honda plants in North America, from which Accord estate cars are already being shipped at a rate of 5,000 a year: that is expected to rise to 10,000 a year by 1995.

The bulk of the increase, however, will come from Swindon. Exports from Japan will remain at around last year's 150,000 level, despite last month's EC-Japan "understanding", say executives of Honda Motor Europe, the UK-based company set up late last year to oversee both Honda's developing pan-European strategy and its existing activities.

The latter extend to 17 sales and manufacturing subsidiaries or affiliates, including motorcycles and power products and - of considerable significance - a research and development centre at Offenbach, Germany.

Within the next two to three months a new building complex is scheduled for completion at Offenbach which will allow Honda R & D Europe more adequately to fulfil its triple role of providing Japan with intelligence on market and technical trends in Europe, supporting manufacturing subsidiaries in their product planning, designing and development of locally produced components, and helping Japanese R & D centres adapt products to European tastes.

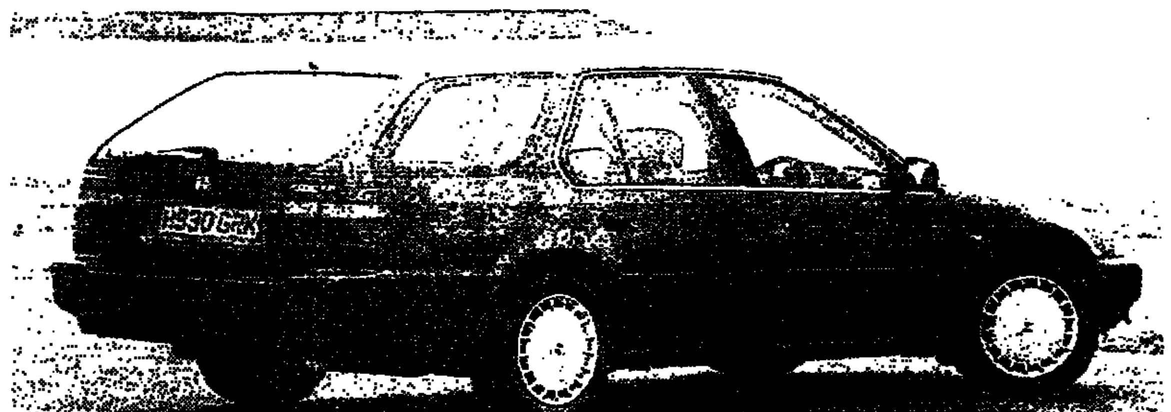
Meanwhile, Honda has chosen the 130 component suppliers for the Syncro. Between them they will share annual business estimated by Honda of the UK Manufacturing (HUM) to be worth £600-800m in full production. UK suppliers are expected to account for about 50 per cent of the total.

The list includes most of the UK's biggest component groups, together with the German group Robert Bosch, whose £100m alternator plant at Miskin, near Cardiff, is now on stream.

Honda has already expressed the hope that it will be able to increase its European car sales to 300,000 cars a year in the second half of the 1990s. That would mean either a really big increase in imports from North America - or further manufacturing expansion at Swindon.

While Honda has declared no intention to increase output beyond the 100,000 a year mark, it is significant that private estimates within the UK Department of Trade and Industry put Honda's UK output at 200,000 cars a year by 1999.

John Griffiths



Honda Accord Aerodeck: exported from US to Europe

Trailblazer for manufacturing investment

NISSAN, Japan's second largest car maker, has been the trailblazer for Japanese car manufacturing investment in Europe.

Its plant at Sunderland in north-east England, is entering its sixth year of production, and by the end of this year is expected to have increased its output of the Primera medium saloon by 58 per cent from year-ago levels to an annual rate of 120,000 units.

There should be another landmark next year, when production starts of a second range of cars, the replacement for the small Micra hatchback. This, in full production, should fully take up the declared 220,000 cars a year capacity of the Sunderland plant.

Nissan should thus be able to build significantly on its present sales in western Europe which, at 381,000 last year, made it the leader among

Nissan

Japanese producers.

The £700m Nissan has invested in its UK manufacturing operations has been gratifying for the UK government, which in encouraging inward investment by Nissan, Honda and Toyota has had to endure much hostility from continental Europe. Mr Jacques Calvet, chief executive of France's Peugeot group, has described the UK as a "Japanese aircraft carrier off the coast of Europe".

About 80 per cent of Sunderland's output is being exported, double the 30-40 per cent originally envisaged by Nissan and contributing about £500m to the UK's balance of trade.

Nor are all the cars destined for Europe: earlier in the summer the plant began shipping 2,000 units a year to Taiwan and the first of 8,000 Primeras a year to Japan itself.

The question most occupying the attention of analysts now is for how long Nissan will be content to stay at even the 220,000 capacity level.

Nissan has previously indicated informally it would like to move towards an output of 400,000 cars a year in the UK, and the UK government now believes this is likely before the end of the 1990s.

Such output would leave Nissan challenging Ford and Vauxhall as the UK's second-largest producer behind Rover Group.

Nissan's manufacturing attentions are by no means focused solely on the UK. It has substantial capacity, through its Spanish operation, Nissan Motor Iberica, producing Patrol off-road vehicles, as well as vans and a new "multi-passenger vehicle"(MPV), the Serena.

Nissan has also linked up with Ford to produce a four-wheel-drive leisure vehicle to compete with vehicles pioneered by Land Rover and Japanese rivals, such as the Mitsubishi Shogun/Pajero, Isuzu Trooper and Suzuki Vitara. It is is being developed mainly by Nissan and will be built at Nissan's Motor Iberica plant.

To bolster its manufacturing efforts, the company has established two centres in the UK for its European vehicle design and development operations as part of a £31m investment programme.

Nissan European Technology Centre, the company which will form the European link in the company's planned global research and development network, has been set up at Cranfield Institute of Technology's technology park in Bedfordshire, with a secondary operation at Sunderland itself.

The two centres are to design and develop future cars to be built in the UK and Spain and specifically tailored for the European market.

According to Mr Ian Gibson, managing director of Nissan Motor Manufacturing UK, Nissan's UK car assembly operation, Nissan needs to be able to design a vehicle from scratch in Europe.

Within this decade, it is intended to launch European model ranges the body, suspension, drive axles and trim of which have been designed, developed and engineered in Europe, chiefly in the UK.

Nissan is to undertake considerable strengthening of its distribution activities in Europe to prepare for increased sales.

But at least one of its biggest headaches, a long-running dispute with its distributor of more than 20 years in the UK, appears finally to be over.

It is setting up a new company, Nissan Motor (GB), to distribute all Nissan products in the UK next year, following an Appeal Court decision not to intervene in its decision to cut all ties with Mr Octav Botnar's Nissan UK from December 31 this year.

The UK has been by far the most important market for Nissan within Europe, until recently accounting for about half of all Nissan sales in Europe and nearly 6 per cent of the total UK market.

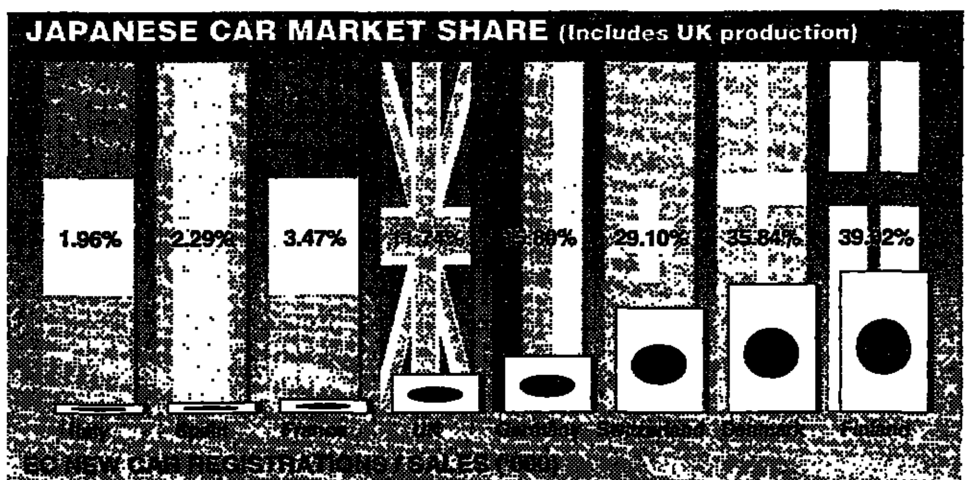
The dispute with Nissan UK, however, over a number of issues including pricing, this year has sent Nissan's sales plunging to less than half this level and the new network will have a huge task next year to launch a recovery.

In the long term, Nissan hopes to secure 10 per cent of the UK market.

John Griffiths

Nissan Primera: sending UK-built cars to Japan

JAPANESE CAR MARKET SHARE (Includes UK production)



	[illegible]	[illegible]	[illegible]	[illegible]	1991	1992	Estimates 1993	1994	1995
Total market	[illegible]	[illegible]	[illegible]	[illegible]	11,925	12,429	12,995	13,264	13,563
Total Japanese	[illegible]	[illegible]	[illegible]	[illegible]	1,257	1,368	1,510	1,607	1,663
Japanese EC produced	[illegible]	[illegible]	[illegible]	[illegible]	120	145	301	385	456

Source: DRI/McGraw Hill

First Spain, now a new venture in Hungary

SUZUKI is the sixth most important Japanese manufacturer in western Europe, with total vehicle sales of 117,000 units in 1990, when car sales increased by 12 per cent to almost 100,000 units.

Vehicle sales centre on the Swift and Alto cars, the Vitara and SJ (Samurai) 4WD sports-utilities and the Carry van, which is also built at the GM-Isuzu IBC operation in the UK and badged as the Bedford Rascal in certain markets.

Suzuki plays no role other than as a supplier of kits to IBC and has no plan to step up its involvement further.

The Japanese manufacturer now in effect controls the Land Rover Santana operation in Spain following Land Rover's disposal of its 23 per cent stake in the company last year. Suzuki has slowly built up its stake in the operation, from an initial 8 per cent in 1984 to 17 per cent in 1986, 32 per cent in April 1989 and finally to 49 per cent. The company builds both the SJ and Vitara, as well as a version of Land Rover's venerable Defender range.

In 1990, 21,000 Suzukis were built at the plant compared with just 6,000 Land Rover based Santanas. At present, however, Santana has not been fully integrated into Suzuki's operations: the company cannot sell its Suzuki products in Scandinavia and must compete with exports of the Vitara from Japan in some other markets.

Nevertheless, the facility building the Suzuki vehicles is modern and in the longer term Suzuki is expected fully to integrate Santana into its operations, taking majority control and increasing output although car production still remains unlikely.

In total, Suzuki sells about 76,000 Japanese-built vehicles in western Europe, 21,000 Spanish vehicles and a combined 20,000 UK-built Carrys and Indian-built Altos. The Alto (or Maruti 800) is built by Maruti, which produces about 100,000 units a year in India primarily for the domestic market, from where they are exported to European markets.

Suzuki's operations in

Suzuki

Europe are set to expand further after the recent agreement to assemble cars in Hungary. A joint venture with a Hungarian consortium is being established to assemble 1.0 and 1.3 litre 5-door Swift cars.

The new company, capitalised at Y10bn ($73m), will be owned 40 per cent by the Hungarian consortium Auto-konszern, 40 per cent by Suzuki, 11 per cent by C Itoh & Co and 9 per cent by the International Finance Corporation. A new factory is to begin production at Esztergom, north of Budapest, in 1992 at the rate of 15,000 cars a year, rising to 40,000 in its second year and 50,000 in its third year. The long-term aim is to build 100,000 cars a year.

The plant is expected to create 1,100 jobs and cost more than Y32bn, with provision for favourable tax and customs duty treatment. Local content is to be raised to some 70 per cent by 1997 and plans call for some 40 per cent of output to be exported to western Europe.

Primarily a manufacturer of motorcycles and minicars, Suzuki's potential to penetrate the European market has been limited, driven recently by the 4WD Vitara series and its long wheelbase derivative. The company also has ambitions to penetrate the medium saloon sector. A Swift replacement is on the way for 1993 and there are also suggestions of a new niche vehicle - a mini people-carrier - to come.

In spite of the Suzuki operations in Spain and its recently announced venture in Hungary, which combined could form the basis of Suzuki's manufacturing operations in Europe for the foreseeable future, the company has made it clear that it is also hoping to set up a separate car production facility in western Europe.

Ian Robertson

Suzuki Vitara: made in Spain for Europe

Plans to raise stake

MITSUBISHI, the fourth most important Japanese supplier to the European car market after Nissan, Toyota and Mazda, increased its car sales in Europe by 5.9 per cent last year to 172,000 units, with commercial vehicle sales up 8.8 per cent to 29,500 units. It would like to expand this to 400,000 vehicles by the end of the decade and in preparation it is planning to raise the stake in its German importer MADG as well as in its UK and Swiss operations.

More than 40 per cent of Mitsubishi's car sales are accounted for by the buoyant German market with the UK, the Netherlands, Austria and Switzerland each contributing more than 10,000 unit sales. The company is particularly strong in the car markets of the Efta member countries. In terms of commercial vehicle sales, Mitsubishi is second only to Nissan and Toyota as a Japanese supplier to the European market.

As befits its role as one of Japan's top medium and heavy truck producers, the company is one of the only Japanese manufacturers to market trucks in Europe, although volumes are fairly insignificant in a sector comfortably dominated by domestic manufacturers.

Mitsubishi also announced last year that it was to export its US-built Eclipse coupe to western Europe. Plans called for 200 cars a month to be shipped once regulatory approval had been granted. However, it is unclear whether the exports will go ahead given the downturn in the European car market and the interim appreciation of the dollar.

The company is boosting its image in Europe by focusing on incorporating the most advanced technology in its models at competitive prices. The recently launched Sigma was voted Japan's Car of the Year for 1991.

It features traction control, active suspension, three-channel ABS and a formidable array of the latest comfort and convenience features. The latest Shogun offers advanced "Super Select" 4WD and the performance 3000 GT, not yet confirmed but expected in Europe in 1992, features a twin turbo 24-valve V6 engine with 4WD and 4WS.

A new Colt/Lancer is unveiled in Japan in October.

Mitsubishi

It will incorporate the smallest production V6 engine yet - just 1.6 litres - as well as a breakthrough "high economy" unit.

Replacement Space Wagon people-carriers, as well as smaller Space Runner variants, will have their European debut at this autumn's Frankfurt Motor Show.

Mitsubishi's ambitions in Europe took a major step towards realisation in early 1991 with the confirmation that the company is to enter into a joint venture to produce cars in Europe. It involves a three-way operation with Volvo of Sweden and the Dutch government which owns 70 per cent of Volvo Car BV, Volvo's *Dutch affiliate*. Mitsubishi, Volvo of Sweden and Volvo Car BV are each to hold 33.3 per cent in the restructured joint company situated at Born, Holland. A new line will be added to the 140,000-capacity plant to produce 200,000 cars a year for sale through the Volvo and Mitsubishi dealer outlets in Europe, while production of the successor to the 400 series will continue along the old lines.

The original, provisional agreement between Mitsubishi and Volvo called for production of the Mitsubishi Colt/Lancer range at the Dutch plant with separate body styles for the two marques and start-up scheduled for 1996.

Mitsubishi has also been in negotiations recently with Chrysler and Mercedes-Benz about possible joint European production. The company also declined an invitation to invest in eastern Germany. The much-heralded agreement between Daimler-Benz and the Mitsubishi group of companies has yet to lead to any concrete developments in the automotive sector, although co-operation in the commercial vehicle sector would appear to offer considerable opportunity. Recent reports highlight differences in product philosophy but the first of these negotiations to reach fruition could still be the joint development of an all-terrain passenger vehicle by Mitsubishi Motors and Mercedes to replace the Mercedes G-Wagen. The companies are also studying the possibility of joint research into car scrappage.

Along with Mazda, Mitsubishi has probably set itself the most ambitious targets among the Japanese car manufacturers worldwide. By 1995 the company hopes to be producing 800,000 cars overseas (compared with 400,000 last year), 240,000 of which will be produced in the US and 100,000 in Europe.

Ian Robertson

EASTERN EUROPE

Potential new market of 420m

THE desire of eastern and central European nations for speedy re-integration into the world economy opens up a potential market of 420m people and opportunities for low-cost production which will dramatically condition the future of the world car industry.

The balance of power in the European car market has already been tilted in Volkswagen's favour by the emergence of a strong new market in former East Germany and the strong demand for second-hand *cars from poorer buyers else*where in eastern and central Europe. Thanks to the German re-unification bonus, Volkswagen has taken a big lead over Fiat in the European leadership stakes which it clearly intends to consolidate through its strategic investments in Skoda and Baz of Czechoslovakia.

Skoda is by far the best existing producer in the region and has moved smartly to fill a gap at the lower end of the market once reserved for obsolete cars such as the Trabant. The new Skoda Favorit has become the best-selling model in Yugoslavia and has also done well in former East Germany.

But VW's commitment to inject capital, know-how and its marketing network in return for eventual 70 per cent control ensures that Skoda is well placed to repeat VW's success story with Seat in Spain. By smart footwork VW also managed to deflect General Motors which was also interested in the small Slovak producer BAZ. VW managed to secure an 80 per cent stake and will assemble Passat models as well as gear boxes at its Bratislava plant.

For Fiat, the growth of competition in its once protected domestic market, raises the strategic importance of Poland and the Soviet Union in its overall production and marketing plans. Fiat saw the *long-term potential of eastern* Europe and the Soviet market three decades ago. It concentrated on licensing and production agreements in the two most populous countries of the region, Poland with 36m and the Soviet Union with 280m people. It gained immense experience in negotiating with the former communist hierarchies and in solving the logistical, organisational and other specific difficulties of building and assisting production in *huge green field plants initially* employing thousands of workers without prior *experience* in the automotive industry. In this it was able to draw on its own experience of the industrialisation of post-war Italy and in Third World markets.

Thanks to Fiat the Soviet Union became the world's largest producer of late 1960s model Fiats, adapted to the Soviet climate and primitive road and service infrastructure. They are still being turned out in their hundreds of thousands from Togliatti, *named in honour of the former* Italian Communist Party leader. It is a similar story in Poland where the Fiat 125, the baby Fiat 126 and derivative Polonez models need desperately to be replaced by competitive new models.

The balance of power in the European car market has already been tilted in *Volkswagen's favour* by the emergence of a strong new market in eastern Germany

In the Polish case Fiat is already entrenched at the FSM plant in Bielsko Biala in southern Poland where it has helped fund a £450m modernisation of the former Fiat 126 plant to produce under licence around 160,000 new "cinquecento" models of which 100,000 will be exported to western Europe to pay back the investment. Output could rise to 220,000 a year eventually.

It is a different story at the obsolete FSO plant in Warsaw where Fiat would like to build Tipo-style family saloons, engines and gearboxes. But Fiat's proposals to merge FSO and FSM into a new holding structure with a special "strategic investor" role for Fiat fell foul of political opposition to *granting it near monopoly status*. Fiat also had to contend with a strong lobby which favours more American investment, for political as well as economic reasons.

It is against this background that General Motors made its own feasibility study for a $100m assembly operation to produce 30,000 to 50,000 saloon cars at FSM. A decision is expected before the end of the year.

GM's approach to Poland is *part of its wider European* strategy which has already *been amended to take in the* potential of the new pan-European market. It has already invested DM1bn in a new plant at Eisenach in former East Germany to build 150,000 new Astra model cars from a green field factory incorporating all the latest in production technology gleaned from its joint ventures with Toyota and Suzuki in the US. The Astra will also be assembled in small volumes at Szentgotthard in Hungary where GM is also *investing heavily in a new* engine plant capable of turning out 200,000 engines a year.

GM has taken the lead among US producers in eastern and central Europe although Ford recently signed a £24m agreement to supply 20,000 diesel engines for the Moskvitch replacement, the Aleko, which is based on the Renault 20. But the Ford deal remains small beer alongside GM's $1bn five-year contract to supply catalytic converters and engine parts to the VAZ plant at Gorki. They will be fitted in Soviet-built cars destined for pollution-conscious western markets.

In general, however, western companies remain cautious about big investments in the Soviet Union. Mercedes Benz has signed a DM250m deal for production of its buses under licence in the Soviet Union but plans for production of Mercedes saloons appear to be marking time.

Delay is also dogging Fiat's ambitious plans to help build a green field plant at Yelabuga to produce 300,000 Uno-type small cars and 300,000 Panda utility cars as well as large-scale engine-building facilities. The first stage of the project has been transferred from Yelabuga to the VAZ plant at Togliatti while Fiat is investigating the possibility of taking a 30 per cent stake in VAZ, which is the largest Soviet car company, producing more than 750,000 of the country's annual 1.2m car output. VAZ, like Kamaz, the biggest truck producer, is a prime target for privatisation, a concept absolutely unthinkable when Fiat began its co-operation with the Soviet Union. Now it is a real possibility as the Soviet Union seeks the capital, know-how and managerial skills to shift its war-based economy to the fulfilment of pent-up consumer demand.

Anthony Robinson

Andrew Fisher looks at the impact of German unification

The very models of a modern motor car

WHEN THE German border was opened nearly two years ago and west and east could see how the other side lived, one of the most obvious differences was in the types of car people drove.

In Germany, the land of Volkswagen, Mercedes-Benz, BMW and Porsche, the *car is one of the most desired of consumer objects*. West German roads and autobahns have become more and more congested over the years as the number of car owners has grown in line with the expansion of the economy.

For east Germans, who also love cars but were long deprived of the variety available in the west, it was a galling sight when their own humble Trabants and Wartburgs were compared with the newer, faster and environmentally cleaner models driven by west Germans. Many east Germans have discarded their old cars, for which they *had had to wait patiently for many* years, and used their savings or borrowed money to buy Opels, VWs or other European and Japanese vehicles.

Not surprisingly, therefore, the vehicle industry has been one of the forerunners in west German investment in the new eastern states. VW is building a new plant in Saxony, close to the site of the old Trabant factory, while Opel (part of General Motors of the US) is putting up an assembly plant in Eisenach, close to where the Wartburgs used to be built, only a few kilometres from the old border.

Through aggressive marketing and its attractive model range, Opel has pushed ahead of VW (excluding its upmarket Audi subsidiary) in the east German market. In view of VW's high status and recognition factor throughout Germany, this is surprising; in the east, Opel had a 21 per cent market share in the first half of 1991 against 15 per cent for VW. Obviously, Mr Louis Hughes, the ebullient chief executive of Opel, is delighted. "We thought we could be close to them, maybe even a little bit ahead, but to have that differ*ence was something we didn't expect.*"

Not that VW has been slow to appreciate the possibilities in east Germany. It moved quickly to strengthen its links with IFA, the former east German car concern. It began with the small-scale assembly of its Polo model, at the bottom of its range, near Zwickau, the industrial town in the state of Saxony. It is also forging ahead with construction of a large assembly plant there to build its popular Golf family car. Its total investment in east Germany is forecast at around DM5bn, mostly on the new plant.

Opel is not spending as much as that. Its investment will be around DM1bn. Both companies, like other corporate investors in the east, are taking advantage of substantial incentives, covering around a third of the total plant cost. On the commercial side, Mercedes-Benz (owned by Daimler-Benz) is constructing a truck plant at Ludwigsfelde near Berlin.

Initially, Opel intended to build small cars such as its Corsa in Eisenach, in the state of Thuringia. Instead, it will concentrate on its mid-range Vectra and family Astra (the successor to the family Kadett) models. "East Germans are tired of the small automobile," says Mr Hughes. Like the West Germans after the Second World War, "they (east Germans) want more space, more car".

In the harsh old days of the east German communist regime, people had

Past it: the last Trabant rolls off the production line

virtually no choice. The most common vehicle was the humble little Trabant, which became a symbol of freedom after the Wall came down in November, 1989. It carried thousands of people to new lives in the west or simply to have a first-hand look at their richer neighbours; the car was immortalised in the film, "Go Trabi Go". Many East German cars were decades old, having been lovingly maintained by their drivers through a network of friends and colleagues; spare parts were hard to come by and obtaining a new car meant waiting for 10 years or more.

Those days are long gone. The old east German plants have stopped producing their now unwanted models, and the new assembly lines are being installed rapidly. Altogether, estimates Mr Achim Diekmann, general manager of the German motor industry association (VDA), around DM10bn will be invested in the east German automobile industry in the next four or five years. East German automobile production, *totalling less than 220,000 cars a year* before the collapse of the Honecker government, will be doubled in 1994.

By the end of this century, east German demand for new cars is forecast by VW and others to rise to around 700,000 units a year, achieving the 500,000 mark in 1995. According to Opel's Mr Hughes, the company calculated that by producing in east Germany, it would enhance its market share; experience shows that shares are higher in areas where the cars are actually produced.

Compared with the population of around 16m, car sales are still small. "*That is growth potential*," asserts Mr Hughes. In terms of car density, east Germany is today where west Germany was in 1970. West Germany, with a population of some 63m, has almost one car for every two people; in east Germany, the figure is roughly one for every four. Now that east Germany has the D-Mark, its car ownership should catch up. "We expect very, very fast growth in this market", says Mr Hughes.

Opel's plans to produce 150,000 cars a year in east Germany compared with 250,000 for VW. Other car companies are not investing in new capacity in east Germany, but Opel and VW are not the only automotive concerns involved there. BMW, which owned the Eisenach plant until the end of the Second World War, is building a machine tool plant in the area, while Robert Bosch will make components in the town.

Profile: HONDA

Wunderkind humbled

HONDA MOTOR has been humbled. For years Honda was the wunderkind of the world motor industry. After it leapt into car production in 1965, it grew unstoppably until it became Japan's third biggest car company, 9th largest in the world. Yet,even as the Honda Accord became the best-selling car in the US in 1989, Honda was slipping in Japan, while its competitors grabbed market share. This was a bitter pill to swallow for a company that worked hard to earn a reputation as Japan's most stylish and technically innovative car maker.

In March this year, Mr Nobuhiko Kawamoto, president, announced a sweeping restructuring of the company's management in an attempt to regain the lost momentum. This was all the more surprising for a company that had been praised by management gurus as a model for how to cope with rapid change. Whatever went wrong at Honda?

It would be easy, and wrong, to exaggerate the depth of Honda's troubles. If anything, indeed, Honda has suffered from having succeeded too well. Honda simply outgrew the management systems that had proved so effective for a relatively small, fast-growing company.

It is also having to face up to the increased complexity of managing an enterprise that is genuinely multinational at a time when consumer tastes in its main markets are diverging. It is more difficult than ever to steer the company as a single unit from the centre.

Honda's growth figures speak for themselves. Honda manufactured 372,000 cars in 1970; last year it made 1.9m cars. The fast expansion of sales in the 1980s also led to a rapid rise in its numbers of employees, which increased from 55,700 to 85,000 today.

Just as important as the pace of growth, however is the ever-increasing complexity of Honda's business. Fully half of Honda's cars are sold in the US, with Japan taking only about 35 per cent. The company is also expanding rapidly in Europe. It owns 20 per cent of the Rover group's vehicle operations, and is building an assembly plant in Swindon.

Fewer than half of Honda's employees worldwide are Japanese. Honda achieved this stunning success with a management structure that was startling for its simplicity. Mr Soichiro Honda, the company founder who died in August this year, was an iconoclastic engineer who instinctively distrusted elaborate management procedures and hierarchy.

He succeeded in establishing Honda's reputation for innovative engineering, and left a management system aimed at allowing creativity to flourish. Board members at Honda worked in a large, noisy, open-plan office, and they were not assigned individual responsibilities for specific areas of business. The idea was to encourage a broad outlook.

While the company naturally developed its own hierarchy and division of work, the underlying philosophy was that a common outlook would encourage employees to work in the same direction without elaborate, formalised procedures. Honda set the pace for the Japanese car industry with the speed with which it reacted to trends in the market, and the rapidity with which it could turn out new models.

However, as the company grew, and its business became more complex, Honda found its competitors were pulling ahead and that the "one big happy family" approach was slowing down the company. This became apparent with the development of the 1990 Accord model, in which engineers in the US and Japan argued over specifications. Although the car was well received in the US, Japanese buyers were lukewarm.

To get the company moving again, Mr Kawamoto has split the company into three divisions: cars, motorcycles, and power products, which includes everything from lawn mowers to small electric generators.

Mr Kawamoto and his two chief lieutenants, Mr Soichiro Irimajiri and Mr Yoshide Munekuni, have taken direct charge of the automotive division and are rebuilding the company's decision-making processes from the bottom up. The aim is to give middle and lower management clear responsibilities to prevent decisions from being sent up the hierarchy where they are bounced around endlessly among senior management.

This will also mean virtually independent operations in Honda's principal markets: the US, Japan, and Europe.

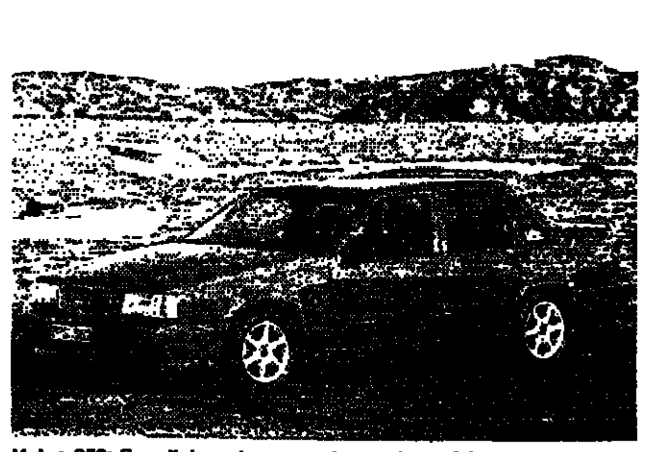
Honda has already succeeded partially in re-polishing its image at home with the launch of its hugely popular NSX sports car, and with the sales of the Beat, a sporty mini-car, which have helped to reverse the decline in sales.

Steven Butler


Mercedes S-Class: seeking a new standard in luxury cars


Rover 220 GTi 16v: the new flagship model


BMW 3-series: Munich maker's mainstream offering


Volvo 850: Swedish maker goes front-wheel drive

Stuart Marshall finds a common theme in this year's new models

Designers opt for a natural improvement

ENVIRONMENTAL acceptability in its widest sense is becoming a crucial factor in the design and marketing of today's cars.

Once, it was enough simply to make cars that were beautiful and luxurious, potent and desirable or merely practical and economical.

Now every new model must be seen to make as little impact as possible on the world in which it operates.

Now every new model must be seen to make as little impact as possible on the world

And, when a long, safe working life is over, it must lend itself to being recycled into the raw materials from which a new generation of cars can be made.

It is a considerable tribute to the ingenuity of the world's car industry that these aims are being achieved without debasing the product or making it less attractive to look at, drive or ride in.

Take, for example, the new S-Class Mercedes-Benz saloons. They are widely held to be the best cars of their kind in the world at present. Not only do they swish silently along the German autobahn at speeds unattainable anywhere else; they are also claimed to be the least polluting as well as the most advanced cars of their size.

The catalytic converters which take the poisonous elements out of their exhaust gases reach working temperature in half the time of those in other cars.

Some of the new S-Class models would easily exceed their governed top speed of 250 kph (155 mph). But Daimler-Benz brushes this fact aside as barely relevant. It prefers to draw attention to the fuel efficiency and pollution-reducing capability of the electronic management systems controlling their up to six-litre engines.

Daimler-Benz talks, too, of using as few environmentally damaging chemicals as possible in manufacturing the new S-Class; of coding all its plastic parts to ease eventual recycling; and even of using only wood from non-threatened tree species for interior trim.

Thus the new big Mercedes is not only a superb machine; it is also a good example of the importance all car makers are now having to attach to environmental friendliness.

In the volume end of the luxury market, Daimler-Benz, BMW and Jaguar are now facing a growing challenge from

Daimler-Benz, BMW and Jaguar are now facing a growing challenge from Japan

Japanese makers, mainly Toyota (Lexus), Honda (Acura Legend) and Nissan (Infiniti). Others like Mazda and Mitsubishi are squaring up to meet the opposition.

These Japanese cars may be short of perceived status but they make up for it with advanced technology. They are the equal of their generally more expensive European rivals in performance and refinement. Japanese producers have also made a profound impression in the sporting high performance segment. Such cars as the twin-turbocharged Nissan 300ZX and the brilliant all-aluminium, mid-engined Honda NS-X are in the Porsche and Ferrari class for everything except price and prestige.

Lower down the performance market, the Toyota MR2, Mazda MX-5 and the new Mazda MX-3 hardtop coupe, with a highly innovative 24-valve, V6 engine of only 1.8 litres capacity, have few obvious European competitors apart from the Lotus Elan and Volkswagen Corrado.

While shying away from producing large volumes of 2+2-bodied sporting cars, Europe's manufacturers offer similar performance in models looking exactly like the family hatchbacks on which they are based.

Prominent among these are the new Citröen ZX Volcane, 16-valve engined versions of the Renault 19 and Fiat Tipo, the supercharged VW Polo and Britain's Rover 220 GTi.

Most of the cars bought in Europe are in the supermini, small-medium and medium-size classes, respectively typified by the Renault Clio, VW Golf and Vauxhall Cavalier (Opel Vectra). The trend has been for all new models in these classes to be a little bigger, more powerful, better equipped and dearer than their predecessors.

This has opened a potential gap in that part of the market where price is all-important.

Responding to public pressure, far less emphasis is being put on sheer performance

As a result, a basic version of the Renault 5 has been kept in production as a price-leader, although that model has been succeeded by the Clio. Peugeot's latest product is a smaller, lighter and cheaper car than its perennially successful 205.

Higher up the market, the introduction of larger and more sophisticated new models has increased the possibilities of substitution.

The new Audi 80 and 100 models are both bigger and considerably better than the cars they replace. It is foreseeable that many 100 owners will find the new 80 models most acceptable substitutes.

They offer virtually everything the larger 100s provide in terms of performance and refinement. All they lack is the bulk. As traffic becomes ever more congested, this is a bonus and a positive incentive to trade down in size but in nothing else.

On very long journeys with a full load of people and luggage, the attraction of driving a large car is obvious. But for everyday use, probably by the driver alone, small or at any rate smaller has become beautiful, especially when the car still has power steering, automatic transmission and perhaps air conditioning.

The Audi 80s are only one example of this new generation of modestly dimensioned, luxuriously furnished and comprehensively equipped cars. Much the same can be said of the BMW 3-series, the Rover 200/400 and the new front-wheel driven Volvo 850 GLT, which has perhaps the best driving characteristics of any car Volvo has ever made. There are many others, especially from Japanese makers.

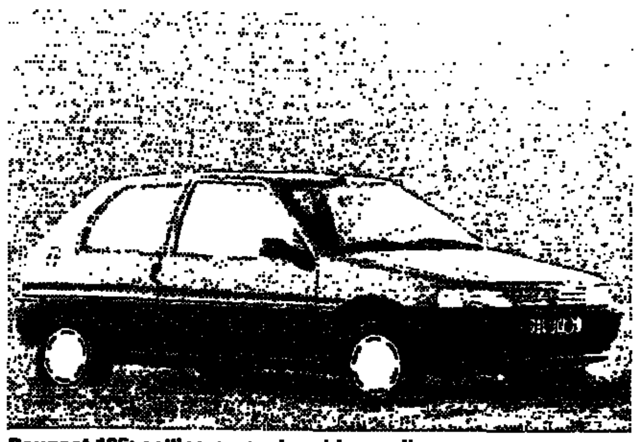
Responding to the pressure of public and official opinion, far less emphasis is being put on sheer performance. Only a handful of small volume makers of ultra-fast cars for the wealthy now boast of 300 kmh (186 mph) maximum speeds that are, mercifully, both illegal and for all practical purposes, unattainable even on the German autobahnen.

Instead, more emphasis is being put on the standard fitment of catalytic converters and of the safety benefits of anti-lock braking systems, of the availability of electronic traction control systems or full-time four wheel drive.

Scientists are still undecided if the world is really getting warmer due to the pouring of carbon dioxide gas into the atmosphere. But conventional wisdom has it that the less fossil fuel is burned in car engines, the better.

The most effective means at the moment to reduce a car's fuel consumption is to fit it with a diesel engine. Diesels will cut consumption by about 25 per cent. Even great economies are possible with direct-injection diesel car engines, pioneered by Rover Group and Perkins and now being introduced by such makers as Audi, Fiat and Volkswagen.

Especially when turbo-charged and intercooled, diesel cars have more than enough performance for today's traffic conditions and are little different from petrol-engined cars to drive.


Peugeot 106: setting a new trend in small cars


Bentley Continental R: luxury at a price

Even Japan has been hit by the slowdown, writes **Steven Butler**

Hurtling over the bumps

TO LOOK at the statistics, 1991 has been a dull year for Japan's car makers. Total car production in the first half of the year fell by 2.1 per cent, with the mainstream market for small cars hit hardest. For the first time in anyone's memory, all three of the world's principal car markets – Japan, the US and Europe – have slowed down at the same time.

Car company earnings will be affected as a result. Nissan, Japan's second biggest car maker, said last month it was feeling the pressure so much that it would cut capital spending by delaying the start of some projects.

But it would be wrong to see the deceleration this year as anything more than a bump in the road. While the momentum of the industry may have slowed, it is still hurtling forward with new model designs and technology that will pose a stiff challenge to the world's vehicle makers.

The new products are aimed first at gaining a bigger share of the Japanese market. As in the past, winning on the home turf will almost certainly be the prelude to stronger sales abroad.

Japan's car makers are aiming for the allegiance of increasingly affluent and fashion-conscious consumers. Nissan, once thought among the dullest of car designers, spotlighted this trend in 1987 with its Cima model luxury car. Until then, large luxury cars were sold almost exclusively as executive cars for corporate fleets.

The new car revolutionised Nissan's public image, and helped reverse years of decline in its Japanese market share. The competition however was quick to respond.

"The car makers now feel that styling is a very important part of selling cars," says Mr Keith Donaldson, an analyst at Salomon Brothers. Indeed, this year, with a dearth of new models, Nissan sales have sagged.

Toyota, which dominates the Japanese market with a share of more than 40 per cent, followed in the wake of Nissan and has had an even bigger winner with its Lexus marque. Last year Mitsubishi Motor picked up market share after the launch of its Diamante model, while Mazda has been swamped with orders for its Sentia luxury saloon, which came on the market only in July.

Honda, Japan's traditional leader in both engine technology and design, has been left behind in the race for boldly-designed luxury vehicles and has decisively lost its traditional third place standing in this sector of the Japanese market to Mitsubishi. The Honda Accord, which was relaunched in 1990, lacked the innovative styling offered by its competitors. The car was poorly received in Japan (although it was a big hit in the US) and Honda's image at home has suffered as a result.

Yet Japanese car companies are in a fast-moving race with competitors attacking each other at many different points. A slump in Honda sales has been reversed in recent months

Europe is seen as the main battleground for the 1990s

by the introduction of a sporty minicar, the Beat, and by special editions of the Civic, its basic economy car, loaded with extra features. More luxurious versions of the Accord have also been selling well and the launch of a completely redesigned Civic this month and the Prelude model should also help to revive Honda's fortunes by pandering to Japanese consumers' tastes for new models.

The battle to capture the luxury end of the Japanese market has put the country's car makers in a better position to compete against luxury car makers overseas, particularly in the US, where they have already scored winning punches against European imports. In July, for the first time ever, Toyota's Lexus and Nissan's Infinity outsold BMW and Mercedes.

Toyota and Nissan have set up separate distribution channels for the upmarket cars. Competition should heat up as Mazda and Mitsubishi plan to set up luxury distribution channels of their own in the US. By comparison, Japanese carmakers have made fewer inroads in the European market, claiming a total market share of 11.8 per cent as opposed to 27.8 per cent in the US. But that is changing rapidly, as Japanese manufacturing capacity in Europe grows.

Europe is widely seen as the main battleground for the 1990s. The battle will be fought over styling, performance, and price. But Japanese companies are increasingly directing research and development programmes toward coping with stricter environmental and safety standards. As a possible taste of things to come, on consecutive days in late July, both Honda and Mitsubishi announced the development of engines that offer up to 20 per cent higher efficiency with no significant loss of performance. They will be available in models sold this autumn.

Although there are significant differences between the two engine designs, both burn an air fuel mixture that is lean, with a low fuel content. The lean burn allows more complete and cleaner combustion, although lean air fuel mixtures are more difficult to ignite. The two companies overcame this problem by redesigning valves and the combustion chamber.

The race to stay ahead, however, is going to be an expensive one that will not be easy to fund unless sales pick up. Although sales of full-sized cars (over 2000cc) rose by 39.2 per cent in the first half of the year, and mini-car sales grew by 19.4 per cent, the mainstay of the market, small cars, saw an 11.8 per cent drop. Overall domestic sales dipped by 3.3 per cent.

Higher interest rates and the impossibility of raising equity funding because of the depressed Japanese stock market have bitten into cash balances. The leading companies are still strong financially, but like Nissan they are having to ask much tougher questions about capital budgets. The cost of capital in Japan is unlikely to be as cheap as it was in the mid-1980s for a long time, if ever. And with serious labour shortages hitting the industry, making automobiles in Japan is becoming even more capital-intensive.

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Martin Dickson sees signs of a gradual fightback by the Big Three

Cautious recovery from the deep red

THE Big Three Detroit motor manufacturers, still bleeding red ink from the US recession of the past year, are beginning to make cautiously optimistic noises about recovery. *Yet any celebrations ought to be extremely muted,* for the industry still faces daunting long-term problems as it struggles to combat ever more intense Japanese competition.

The Big Three – General Motors, Ford and Chrysler – collectively *lost almost $4bn in the first half of* this year as the industry went through its worst downturn in a decade, and none of the companies is expected to return to the black for 1991 as a whole.

In the first seven months of this year, US car and light truck sales totalled 7.34m vehicles, down from 8.48m in the same period of 1990, and while there are tentative signs of an upturn in demand, the recovery is likely to be very gradual. GM is forecasting 1992 industry-wide sales some 10 per cent higher than this year, of 13.5m to 14m vehicles, but still below the long-term trend in volume growth.

There is, moreover, precious little hope of demand coming into balance with manufacturing capacity in the near future, and that is likely to keep downward pressure on vehicle prices. Over the past year manufacturers have had to offer rebates averaging $1,000 or more to maintain their market position.

Japanese manufacturers, who have set up so-called "transplant" *assembly plants across the US over* the past decade, are continuing to expand capacity as they make deeper and deeper inroads into the market. Detroit, for its part, has been slow to cut capacity in line with its reduced market share.

The top-selling car in the US is Japanese – the Honda Accord – and Japanese models now account for more than 30 per cent of the US market – including Japanese cars sold through American companies.

Their penetration of the market is much more serious than even that figure suggests. For about 35 per cent of the US car market consists of heavily discounted sales to fleet rental companies, which have close ties to the Big Three. When those are excluded, Japanese cars account for well over 40 per cent of the market, and European and Korean products take the total up to around 50 per cent.

Moreover, Japanese cars are particularly popular among younger buyers and on the trend-setting West Coast. The implication is that *as older Americans die,* their brand loyalty will go with them and Japanese penetration will increase.

That said, the Japanese are far from foolproof – they too have had to introduce discounts on their vehicles and Nissan, in particular, has been finding the US market very difficult. The once arrogant US companies have also responded vigorously over the past few years to the Japanese threat, but it is questionable whether they are moving sufficiently far or fast to shore up their position. Elements in their counter-offensive include:

■ Capacity cuts. Worldwide, production capacity is estimated to exceed demand by some 8m units a year – but some 6m of those units are in, or aimed at, the North American market. All of the Big Three have cut capacity, but more still needs to go. Ford has been boldest, with a large rationalisation in the late 1980s, and its plants are now estimated by analysts to be running at near 80 per cent of capacity. However, the figure for Chrysler is around 66 per cent and for GM is a mere 55 per cent. GM's new chairman, Mr Robert Stempel, has pledged to balance capacity with demand by the end of 1992, although company officials recently said this could stretch into 1993.

Any celebrations ought to be extremely muted, for the industry still faces daunting long-term problems

Plant closures are a matter of delicate negotiation with the United Auto Workers Union, and the industry's contracts with the union restrict the cost-savings that can be achieved in this area. GM last year signed a pattern-setting three-year deal which guaranteed workers much of their salaries and benefits whether or not they worked.

At same time, to shut capacity is to finally admit a permanent loss of markets to the Japanese, and the US manufacturers may be unwilling to concede so much ground just yet.

■ Plant efficiency is also much improved – and well ahead of most European rivals – with Ford again leading the way. Some of its assembly works – notably its Atlanta, Georgia, plant – are now regarded by industry analysts as almost as efficient as those of its best Japanese rivals, thanks to the implementation of better production methods and good labour relations. Chrysler and GM still have substantial ground to catch up.

But the Japanese also have the *advantage of green-field sites in* rural areas of the US with relatively cheap, young labour. The US companies have also been fundamentally re-evaluating the way they organise their businesses, learning from joint venture operations they have been running with the Japanese. There has been a gradual movement towards the "lean" manufacturing techniques pioneered in Japan, involving changes in relations with suppliers, between corporate departments, managers and workers, and in attitudes to the customer.

The reliability and styling of American vehicles is also much improved, and the quality gap separating them from the Japanese has narrowed, if not disappeared entirely. However, Detroit is *still* much slower than its Japanese rivals in bringing new products to market – a serious deficiency in a world where consumer tastes and technology are changing so rapidly and the ability to snatch control of niche markets is an important *ingredient of success.*

But in spite of all these changes, the US motor manufacturers themselves seem lacking in confidence about their ability to catch the Japanese. A recent survey of US industry leaders by consultants Ernst & Young and the University of Michigan asked them to rank eight companies in competitiveness now and in the year 2000.

The consensus was that while most US car makers would continue to improve their competitiveness, the Japanese would also get better and in many key areas continue to set standards. At the turn of the century, said the business leaders, three Japanese companies – Toyota, Honda and Nissan – would remain the most competitive, followed by General Motors and Ford in equal fourth place.

■ Protectionism. Faced with all these pressures, US manufacturers are seeking political help to stem the Japanese advance. An important landmark came last June when the Big Three, in a rare display of co-operation, filed an anti-dumping suit *against Japanese producers of* mini-vans, claiming these are being sold in the US market below cost. If that suit is successful, others seem sure to follow, particularly at the luxury end of the US market, where the Japanese have been making big inroads.

The industry has also been lobbying Congressmen for action to limit Japanese sales in the US and for relief from costs which Detroit says gives its rivals a head-start. These include high US health-care costs and onerous safety, clean-air and fuel economy regulations.

Japan is getting closer to the American consumer

Transplant sales are overtaking imports

"THE amazing new car from Ohio that goes around corners, up hills and overseas."

Thus has Honda Motor, the Japanese car manufacturer, been proudly advertising a new Accord station wagon built at its plant in Marysville, Ohio. It is the first Japanese car to be designed and built solely in the US – although the basic sedan from which it was derived was designed in Japan – and some of the vehicles are being exported to Europe and even Japan itself.

The advertising campaign underlines the anxiety of the *Japanese car manufacturers* who have set up eight factories (so-called "transplants") in the US to be seen as American companies at a time when their ever-increasing advances are again setting off protectionist noises in Detroit.

And the fact that the car was designed and built in the US illustrates a new trend in the Japanese companies' strategy: by researching, engineering and designing their cars in America, as well as building them in the country, the Japa*nese are getting closer to the* consumer and improving their marketing abilities, as well as speeding up the time it takes to bring products to market. And in the intensely competitive 1990s, these could prove crucial advantages as manufac*turers respond to fast-changing* consumer tastes.

Toyota Previa: facing US dumping charges

The past decade has revolutionised the Japanese role in the US car industry. The late 1970s saw the first big burst of expansion: thanks to the two successive Middle East oil crises, which switched the fashion to smaller, fuel efficient cars, Japanese manufacturers managed to capture some 17 per cent of the US car market by the turn of the decade, *entirely through imports.*

However, rising US protectionist sentiment led to voluntary import restraints and a realisation by Japanese companies that for further expansion they would need to set up manufacturing facilities in the US. *Honda was the first in, opening* its Marysville plant in 1982, but by the middle of the decade it was being followed by Nissan, Toyota and other Asian manufacturers, some working alone and some in joint ventures with US companies.

By *the end of last year, nine* Japanese and one Korean company had taken some 29 per cent of the car market, and 24.9 per cent of the total truck and car market, up from 27.1 per cent and 23.1 per cent in 1989. When vehicles engineered by the Japanese, but sold by US companies are included, the total car total jumped to around 32 per cent last year.

And among the larger manufacturers, sales from transplant *operations had overtaken, or* were on the way to overtaking, their imports. The market share gains seem set to continue as they increase US production over the next few years and expand their distribution network – particularly *in the Midwest, which remains* a sales heartland for the American Big Three.

The speed of the advance has so alarmed their American rivals that several leading Detroit figures and the United Auto Workers Union have been *calling for new import quotas,* or even a cap on the total Japanese share of the US market.

This implies a huge cut in the Japanese import quota, which stands at 2.3m units a year. However, for the past four years Japanese imports have fallen well below that level – 1.7m units in 1990 – because of the build-up of production from the transplants.

For many years Detroit critics argued that transplants would merely be assembly plants employing semi-skilled labour, leaving the most critical jobs to be done in Japan. But while this may prove the case for some smaller manufacturers, the argument hardly stands up in the case of the Japanese Big Three – Honda, Nissan and Toyota – who have turned their US operations into fully-fledged, stand-alone manufacturers.

They now have extensive US engineering and design facilities. The local content of their vehicles is high – albeit much of it from Japanese transplant parts companies. Honda, for example, claims around 75 per cent local content for parts and components.

However, many dies, tools and large components, such as engines, are imported, though here too the trend over the next few years will be to manufacture or buy locally.

Political pressures apart, market-place competition is pushing the Japanese in this direction. In the US, as in Japan, their plants use "just in time" manufacturing techniques and require very close co-operation with parts suppliers. For this to work most effi*ciently, lines of communication* need to be short.

At present the Japanese transplants appear to have a substantial manufacturing cost advantage over the best of their American opponents –

The Honda advertising campaign underlines the anxiety of Japanese car manufacturers

*and a huge advantage com*pared to the worst Detroit plants.

Contributory factors include their green field sites, their generally younger, non-union labour forces, their temporary freedom from pension costs and their production techniques. But the Americans have been closing the gap on factory competitiveness, and to maintain their edge as the 1990s progress the transplants will need the flexibility that local autonomy can bring.

It would be wrong, however, to suggest that the transplants are invincible. Numerous teething problems at several of them have encouraged Detroit executives in their belief that the Asian advance can be halted.

The two most successful have been Honda and Toyota. Honda makes the most popular car in the US, the Accord, and in the first seven months of this year the group accounted for some 9.4 per cent of the US car market. Toyota, the largest car group in Japan, accounted for 8.7 per cent. Both companies have been increasing their market share although in common with their US rivals they have also been hit by falling volume because of the recession. They have had to follow Detroit's lead and offer large *discounts to move models off* the showroom floor.

Nissan, however, has suffered a succession of problems in the US. Styling mistakes in the early 1980s gave its cars a dull image that it has not entirely shaken off and last year it had to pull its Axxess mini-van off the market because it failed to sell. The group's US sales peaked in 1985 at 831,000 cars and trucks and then nose-dived in the late 1980s. A succession of new model introductions, including a successful luxury car, the Infiniti, have helped it pick up a little ground this year, but its car market share still stands at only 4.9 per cent.

Mazda, which established a plant at Flat Rock, Michigan, in the unionised heart of the American motor industry, ran into recurrent clashes with its labour force – partly because the Japanese group seemed initially to offer workers far more than it actually delivered. There were also strains between its American executives and the Japanese corporate hierarchy.

Martin Dickson

GENERAL MOTORS

On the road to clawing back market share

A REMARKABLE new vigour is shaking up General Motors, the largest car manufacturer in the world, which spent much of the 1980s in seemingly inexorable decline.

Under Mr Robert Stempel, who took over as chairman in July last year, the company has been clawing back US market share and moving faster to cut costs and reduce its heavy burden of excess manufacturing capacity.

Mr Stempel should not get all the credit for this. Many of the programmes from which the group *is starting to benefit* were put in place under his predecessor, the controversial Mr Roger Smith, who tried to force change on the sprawling group by throwing money at its problems.

And the severe impact of the *US recession over the past 12* months has forced the group to accelerate change, whether or not it likes it. In the first six months of this year GM lost $1.2bn and Wall Street expects it to remain in the red for the year as a whole, in spite of *signs of a gradual recovery* in the US economy and vehicle market. However, Mr Stempel so far seems much more successful than his predecessor in gaining the support of GM's workforce for belt-tightening and new working methods. *This is partly because of his* down-to-earth personality, and partly because he made clear early on that all GM's employees – managers included – were going to share in its pain.

That is a distinct contrast to the 1980s when the group gained a *reputation for* demanding sacrifices from the rank and file while top executives continued to reap generous pay and perks. Yet it was

The severe impact of the US recession over the past 12 months has forced the group to accelerate change

during that decade that the once arrogant GM got its comeuppance. Unprepared for the Japanese onslaught against the US market, it saw its share of the car market drop from some 46 per cent at the start of the decade to around 35 per cent at the end.

However, GM seems to have drawn a line, decided it would defend the 35 per cent floor at any cost, and over the past year it has started to win back customers. In the first six months of 1991 it held 36.7 per cent of the car market and aims to take this to 40 per cent over the next couple of years.

That is going to be tough, given the immense competition from US and Japanese rivals. GM's first challenge is to produce quality vehicles that excite customers, and this it may now be starting to do, with a very full programme of new model launches.

One of the group's first successes is a new luxury sedan, the Park Avenue, which has been a big hit for GM's Buick division, bucking the recessionary downturn. Buick has been gaining market share, thanks to a thorough revamp of its product line and marketing philosophy.

However, GM remains the high cost producer of the US industry, with its factories on average taking far longer than those of its rivals to turn out vehicles. The group is working hard to improve this. One example is the way it is cutting the number of parts that go into its cars and standardising those that remain. It also wants to change relations with suppliers, using fewer of them and getting them to cut prices over the life of a contract. Another example is an upheaval in the product devel*opment* operations at the Chevrolet-Pontiac-Canada group, GM's largest North American car-making business. These have been re-organised along the more efficient lines found at rival Japanese companies.

Saturn interior: GM's all-out attempt to match the Japanese in the small car market

And the group has experimented with an entirely new approach to car building at the plant in Tennessee which builds its new Saturn small car – a model conceived in the early 1980s as an all-out US attempt to beat the Japanese in the small car market.

Saturn vehicles went on sale for the first time last autumn but so far the project has been far from a resounding success. The Saturn plant has a production capacity of 1,200 cars a day but production glitches – notably problems with the car's plastic body – mean that output has been running at about half that level.

Those consumers who have managed to buy the cars seem pretty pleased with them, but Saturn's shaky start has not enhanced GM's image and it will be years – if ever – before the much-hyped project reaches profitability.

A second big problem for GM is that its manufacturing capacity far exceeds demand for its products. The company took a $2.1bn write-off last year to cover the cost of closing seven North American factories and Mr Stempel pledged to be running all its plants at full

Buick has been gaining market share, thanks to a revamp of its product line

capacity by the end of next year. More recently, however, there has been a slight retreat from that goal, with company officials saying slow growth in the US means it may be some time in 1993 before full capacity is achieved.

The cost savings that will flow from these closures are also limited by a three-year labour agreement Mr Stempel signed last autumn with the United Auto Workers Union, which guarantees employees most of their pay, whether or not they work.

Still, the new relationship with the union – essentially trading job security for workplace flexibility – has enabled the company to reach a potentially important agreement allowing an Ohio assembly plant to be operated with three assembly crews – a strategy GM has already used in its highly successful European operations. The European business, which made $1.9bn last year, is playing a vital role offsetting the red ink in North America, and it will need to do so for a considerable time yet.

GM officials acknowledge that, in spite of all the upheaval and cost-cutting, the North American operations are unlikely to be profitable again until the US market for cars and trucks rises to 15m vehicles a year. And that is not likely until 1993 at the earliest.

Martin Dickson

Ecology-conscious countries are seeking to introduce strict regulations on emission control

California sets exhausting standards

CALIFORNIA, the US's most *populous and richest state, is a crucial* market for expensive cars. But California is also where the world's first laws were enacted to control the emission of noxious gases from car exhausts, and since the late 1960s those laws have been progressively tightened.

It is not, however, merely that California sets its own exhaust emission standards. What makes its standards crucially important is that they have usually been adopted, after a delay of one or two years, as US Federal standards. That, in turn, has been enough to ensure their adoption in other countries, including Japan, which suffer severe air quality problems or which, like Sweden, are acutely ecology-conscious.

The process has sometimes extended over a long period. The Californian regulations of 1980 were generally applied to all new cars sold in the US from the 1983 model year, and in Japan from shortly afterwards; but those same standards will not apply to all new cars sold in the EC until January 1, 1993. It is unlikely, however, that it will take nearly 15 years for subsequent Californian initiatives to be embraced in Europe. The Germans in particular, along with the Swiss and the Scandinavians, are keen to make more progress in this direction.

The so-called "US83" regulations are significant because they involve the large additional costs of an emission control system.

They can only be met, at least within the foreseeable state of technology, by fitting a catalytic converter within which precious metals induce noxious fumes (carbon monoxide, unburned hydrocarbons, oxides of nitrogen) either to oxidise or to decompose into harmless – in a toxic sense at least – carbon dioxide, water vapour and nitrogen.

A typical catalytic converter costs perhaps £100 but it is only the beginning. For the converter to work properly, the contents of the exhaust gases entering it need to be carefully controlled. The temperature must be correct (most converters "light off" at around 300degC, but begin to suffer if they get too hot) and there must be enough residual oxygen to permit the oxidisation process to take place. These requirements can be met only by fitting the engine with an electronically-controlled fuel injection system, adding at least another £100 by comparison with a system using a carburettor.

The reason the EC took longer than any other part of the industrialised world to bite the bullet of this extra cost was political. Its ecological hawks, the Germans and their allies, spent years convincing those governments voted into office by the owners of small, cheap cars – the Italians, the French and to a degree the British – that there was really no alternative. Now the EC must look to the next stage, because California has not stood still and the rest of the world is already following.

The scene is shifting. It is now widely acknowledged that the emission standards set for California for model year 1993, which are likely to become the "US94" standard and which involve further reductions of both unburned hydrocarbons and of oxides of nitrogen, represent something close to the limit of what can be achieved with a conventional engine. In most cases the US94 limits can be met by further refinement of existing systems: by fitting catalytic converters with electrical heaters to bring them more quickly to operating temperature, by recirculating a proportion of exhaust gas back to the engine intake, and similar measures which will not, by and large, involve an incremental cost like that of adopting the catalytic converter and electronic fuel injection.

Fleets of methanol-fuelled cars are being run in California by US car makers and Japanese and German importers

California is not, contrary to some fears, about to tighten overall emission standards to the point where its citizens will have to junk their cars and return to public transport or the bicycle (though the diesel engine manufacturers still have some technical problems to solve in the area of particulate emissions). Instead, it appears to have decided that the most realistic way to achieve further reductions in emissions is to adopt what might be called a "proportional" approach. Accordingly, the state has already proposed that by a series of target dates stretching into the 21st century, sales of new vehicles should include a proportion of what are defined as Low Emission Vehicles (LEVs) and Zero Emission Vehicles (ZEVs).

The LEVs will use alternative fuels, most probably methanol, which will among other things begin to reduce vehicle emissions of carbon dioxide. California is as aware as anywhere of the Greenhouse Effect.

Fleets of methanol-fuelled test cars are already being run in the state by the "big three" American car manufacturers, and the big Japanese and German importers. The ZEVs will inevitably be electrically-powered.

The new Californian approach poses two problems for the car manufacturers, who will have to ensure that their sales in California from (about) 1998 will have to include the requisite proportion of LEVs and ZEVs. First, they will have to develop suitable vehicles, a process which is already under way: GM, for instance, has shown a series of attractive electrically-powered prototypes and talked seriously about putting them into small-scale production, and BMW has announced its own variation on the theme.

The manufacturers' second problem is that almost certainly, they will need to "buy" their LEV and especially ZEV sales. The limited range and performance of electric cars makes them unattractive unless they can be sold cheaply, and the cost figures emerging from technical discussion look anything but cheap. Consequently, it seems certain that pricing policy will in effect involve conventional cars subsidising electric vehicles.

This will be no problem as long as the required proportion of ZEVs is small. If it rises to a significant level, anything over 10 per cent, then market distortions will begin to arise. The simplistic assumption that by the year 2010 every Californian household will have a ZEV to take into town and a conventional car (or LEV) for long journeys takes no account of cost differentials – just as most calculations of electric vehicle running costs assume the exclusive use of cheap off-peak power.

In this respect, California is doing the rest of the world a service: if the crunch comes (bearing in mind that the state has so far adroitly avoided any ultimate confrontation with either its highly motorised population or those who provide the vehicles) then we shall all be in a position to learn. The most likely conclusion, however, is that California will continue to point the way in which the rest of the mobile world will develop, after an inevitable interval.

Jeff Daniels

SOUTH KOREA

Out of the pits

SOUTH KOREA'S car manufacturers are getting back on track after a protracted stay in the pits.

Exports, which slumped so sharply in the past few years, are recovering, while the domestic market continues to show strong growth. Improved design and technology are also apparent in the host of new models which have been taking to the streets.

Total production for the six Korean car manufacturers reached 517,128 units in the first half of the year, an increase of 19 per cent over the comparable period last year. Exports increased by an impressive 35 per cent to 164,000 units, while domestic sales rose by almost 20 per cent to 342,953 units.

There are several reasons for the improvement. On the export side, the Korean car manufacturers have had a fair degree of success in diversifying sales away from the flagging US market. Eastern Europe, south-east Asia and the Middle East have seen the strongest gains.

At the same time, strikes and labour disputes at the car manufacturers and at their component suppliers, which have caused serious disruption every year since 1987, have been less frequent this year. As a result, production has been smoother and there have been fewer quality problems which have dogged overseas sales in recent years.

On the domestic side, progress has also been steady. The continued rise in South Koreans' disposable incomes has created ready customers for the new models which have been rolling off the production line. Sales of just under 1.1m are expected in the Korean market for the full year.

But beneath the picture of improved performance there remain a series of challenges which must be overcome. For all the factors which lie behind the increases in production and exports there are caveats which may take some of the wind from the Korean car makers' sails.

In the case of the new markets, for example, there are limits to the amount of growth which can be expected. Eastern European countries, in particular, face constraints on hard currency and may find it difficult to maintain their appetite for imported cars.

"I don't believe we will continue to see the same growth from eastern Europe," says Mr N.M. Kim, managing director of export marketing at Hyundai Motors, Korea's largest car maker.

For the time being, eastern Europe along with south-east Asia and the Middle East all provide valuable new outlets for Korean manufacturers. But they will never represent an alternative to the US – which was always Korea's single biggest export market.

In this respect, the news is not particularly encouraging. Korean manufacturers continue to suffer from a protracted downturn in the American market. Production at Hyundai's Canadian plant – which supplies the Sonata to the US market is running at less than 50 per cent capacity while shipments from Korea remain well below their 1987 and 1988 levels.

"Everyone is saying that the US economy is starting to recover," says Mr Kim. "But I don't see any improvement in the car market yet."

The Hyundai executive is more optimistic about labour relations. His company, like most of Korean industry, experienced a surprisingly peaceful wage-bargaining season.

"The overall trend is much better," says Mr Kim. "This is perhaps the turning point."

Executives at Kia Motors, the second largest manufacturer are, however, unlikely to agree. A protracted labour dispute in July halted production for several weeks and caused a downturn in year-on-year production figures for the industry as a whole in that month.

The disruption at Kia shows that the risk of labour unrest has not been removed. But it also suggests, on a more encouraging note, that there is a process at work which is creating improved workplace relations.

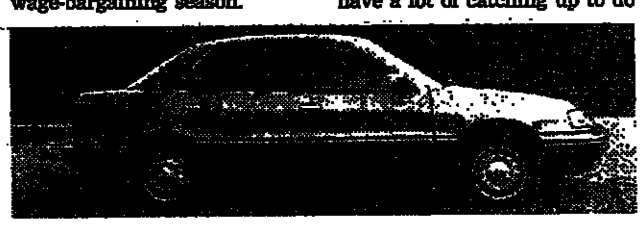
Unlike Hyundai and Daewoo Motors – a 50/50 joint venture with General Motors – Kia has hitherto seen very few industrial disputes. The fact that it is now experiencing a strike, while its counterparts are enjoying relative industrial peace, suggests that there is a learning process for management and labour which Kia executives are only just confronting.

Mr Lee Dong Hwa, general manager of the Korea Automobile Manufacturers' Association, subscribes to this view. "Management and labour have learned that there is little to gain from strikes. They are now more experienced in solving problems through negotiation."

With the improvement in labour relations, executives at Korean car companies are now able to devote more time to the problems of upgrading efficiency and productivity and enhancing design and quality.

Here too, there has been progress. The new cars which have been rolling off Korean production lines – from the sporty Hyundai Scoupe to the Daewoo Espero Saloon – are a long way removed from the humble Pony which spearheaded Korea's move into the international car market in 1986. Certain models of the Scoupe are also fitted with an engine developed by Hyundai earlier this year.

But in terms of engineering and production technology the Korean manufacturers still have a lot of catching up to do with their international, and particularly Japanese, rivals.



Hyundai Elantra: new launch in US and Europe

A recent report by Kia Economic Research Institute, a respected think tank on the local automobile industry, argued that failure to increase productivity in line with Japanese manufacturers was eroding the competitiveness of the Korean carmakers.

It cited the fact that a four-door Hyundai Excel has seen its price in the US increase from $7,890 to $8,115 over the past year. The price of a Toyota Tercel, one of the Excel's competitors has, by contrast, fallen from $9,198 to $8,998.

Reduced wage increases and the introduction of new production lines by several of the Korean car makers should help reverse this erosion in competitiveness. Along with continued improvements in technology and design capabilities these are the principal factors which will determine whether the Korean car industry can resume its inroads into international markets.

AUSTRALIA

Missed opportunities

BY ANY standards, the Australian car industry is guilty of one of the world's great missed opportunities. In the late 1950s, when Japan was still recovering industrially and psychologically from the effects of the Second World War, Australia was the world's seventh largest car maker, and the biggest in Asia.

That combination, combined *with the country's high standard* of living and access to international capital, provided the Australian industry with an opportunity to develop a big exporting industry.

It never happened. A little over 30 years later, Australia produces only about 1 per cent of annual global car production of around 36m units, roughly equivalent to a month's production for one of the major Japanese manufacturers.

The opportunity was missed because Australia chose to insulate its economy behind high tariff walls and import quotas, rather than face aggressive competition in world markets.

The strategy encouraged foreign manufacturers to set up small-scale assembly plants to produce vehicles for the growing domestic market. As a result, Australia's 17m people are served by five domestic car makers, Ford and General Motors' Holden's Automotive (GMHA) of the US, and Toyota, Nissan and Mitsubishi of Japan.

But while the five companies competed strongly for domestic sales, the lack of international competition led to a high cost structure which depended on protection for its survival.

This delicately structured house of cards began to tumble in 1984, when Mr Bob Hawke's recently elected Labor government began deregulating and opening up the Australian economy across the board.

In the car industry, the changes took the form of the Button Car Plan, named after Senator John Button, the *Industry Minister who was its* chief architect and regulator.

The plan was based on the belief that the existing structure of the industry – five manufacturers producing 13 models with annual production runs averaging 28,000, but in some case below 10,000 – was unsustainable in an open market economy.

The solution, Mr Button and the car makers agreed, was for protection to be progressively reduced, gradually increasing the pressure for more efficient production through rationalisation of the model range and co-operation between manufacturers.

Under the first stage of the plan, tariff protection has been cut from a nominal rate of 57.5 per cent in 1985 to 37.5 per cent, and will fall to 35 per cent in January. In addition, import quotas have been abolished, together with an 85 per cent local content scheme for domestically produced cars.

The plan also provides an export facilitation scheme under which manufacturers are encouraged to increase production runs of more popular models in return for reductions on tariffs on imported components.

So far, the plan has produced mixed results. It has succeeded in reducing the number of models being manufactured from 13 to eight, all of which have production runs of more than 20,000. But average production is still only 46,000 – low by world standards.

There have also been two co-operative agreements – a product-sharing arrangement by Ford and Nissan which has increased capacity utilisation at several plants, and a merger between Toyota and GMHA under which both companies' production will be owned by a single jointly-owned holding company.

However, the joint venture agreement has yet to be implemented, and there has been little plant rationalisation – no assembly plants have been *closed since GMHA shut its* Queensland plant in 1985.

Exports are up 112 per cent since 1985, largely thanks to shipments to the US of Ford's open-top Capri, but total volume remains insignificant at 22,478. There are also doubts about the viability of export sales without the import savings provided by the export facilitation scheme.

Most importantly, the differential between Australian and Japanese production costs is still around 50 per cent – enough to wipe out the domestic industry in a relatively open market.

Against this background of slow progress, the government decided earlier this year to tighten the efficiency squeeze on the industry. Mr Hawke announced in May that tariff protection would be cut by 2.5 percentage points a year from next year, to a target of 15 per cent by 2000.

The policy tightening was opposed by all five carmakers, some of whom hinted they might be forced to end Austra*lian production if protection* was reduced further. None has yet acted on the threat, but Mr Norman Iddles, Toyoya Australia's vice-president for finance and planning, spoke for many when he warned recently that the industry would "change dramatically" in the next decade.

In Mr Iddles' words, the manufacturers face a choice between quitting Australian manufacturing and cutting costs through heavy capital investment and labour reform. So far, only Toyota has committed itself to significant capital investment, although its plans to spend A$420m on a new manufacturing plant in Melbourne will also benefit GMHA through the joint venture agreement.

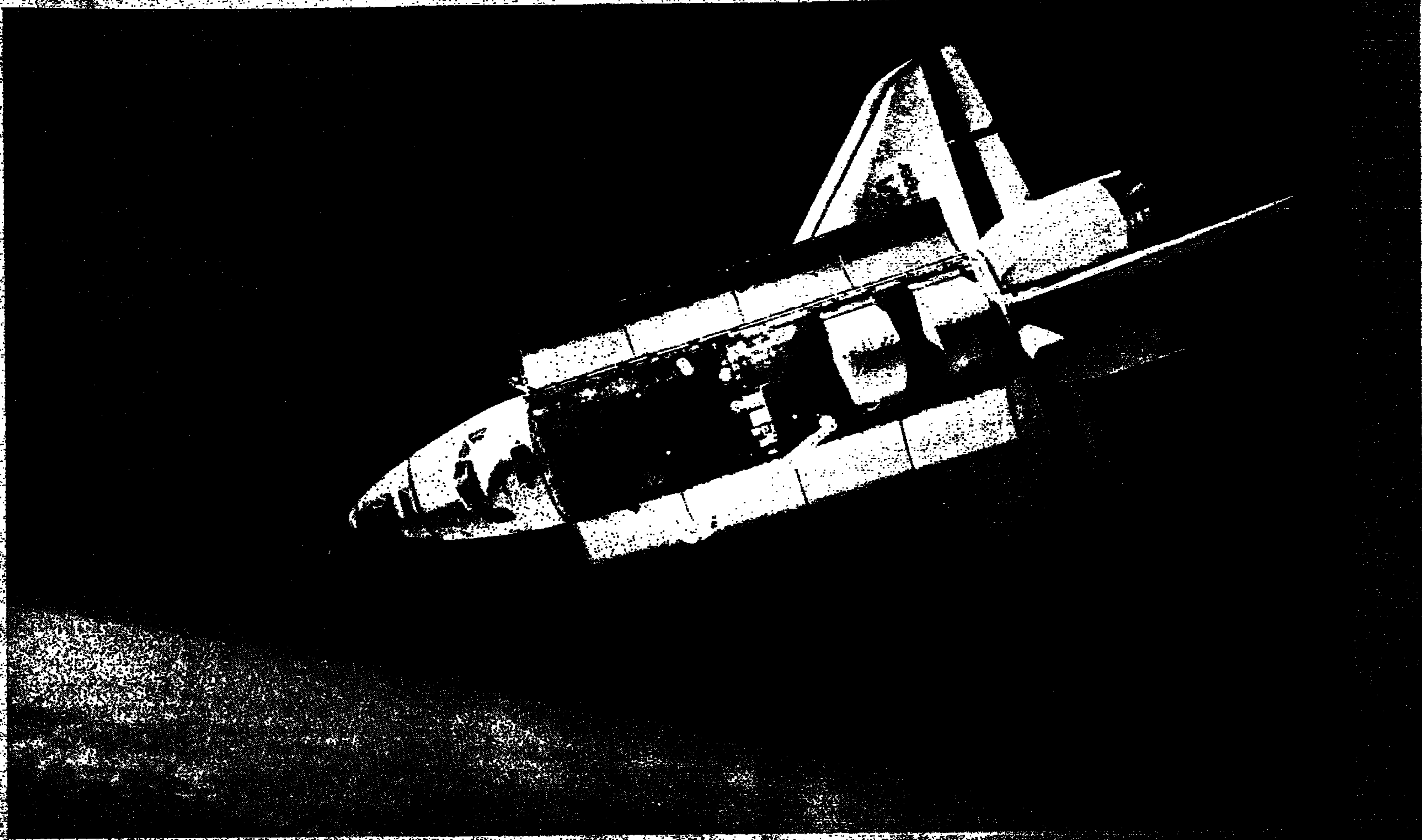
Ford appears undecided. Mr Jac Nasser, president of Ford Australia, says the company will continue to manufacture the Australian-designed Falcon until at least 1998, but Mr Harold Poling, chairman of Ford's US parent, says the group will not decide for a couple of years whether long-term manufacturing in Australia is viable.

Nissan and Mitsubishi have both said they intend to continue building cars in Australia for the foreseeable future. However, Nissan has accumulated losses of A$500m over the past 15 years, and has been hit *hard by a fall in prices caused* by the Button Plan. Mitsubishi makes only one model in Australia.

In the short term, the manufacturers are suffering badly from the combined effects of recession and tariff reduction: Nissan made a record A$125m net loss on domestic Australian operations last year, while Ford lost A$82m, and Mitsubishi's net profit was down from A$41m to A$13m. Toyota and GMHA have not yet revealed results.

In the longer term, they will need patience and deep pockets to survive. Mr Bill Scales, chairman of the Automotive Industry Authority, a government advisory body, says all five manufacturers can survive if they make the right investment and marketing decisions. Senator Button appears less confident: he has been talking in terms of three survivors.

Kevin Brown



FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

Brent Walker board in crisis meeting

Directors of Brent Walker, the troubled UK leisure group, were last night in a crisis meeting to decide how to respond to the refusal of bondholders to back a reconstruction plan. Meanwhile, some of the 47 creditor banks broke ranks and said they would be prepared to consider an offer from Lonrho, the trading group. Page 22

Citicorp may sell Italian arm

Citicorp, the US bank seeking to sell assets to strengthen its capital base, is expected to sell its 46-branch Italian banking subsidiary toward the end of this month in a deal likely to be worth around $300m. Page 16

Asset sale lifts HJ Heinz

Heinz

HJ Heinz, the US foods group, yesterday announced a sharp rise in first quarter earnings. But without a one-off gain, operating income totalled $213m, compared with $266m in the same period last year. Page 17

Recession ends for textile group

The end of the recession has arrived according to Mr Brian Haggas, chairman of John Haggas, the UK worsted spinner. "Textiles went into recession two years before everyone else went and all my mates were chortling. Now we are the first out while everyone else is still complaining." Page 23

Delta suffers despite staff cuts

Delta, the UK electrical cables and engineering group, suffered in the recession in spite of cutting staff by 20 per cent. Mr Robert Easton (left), chief executive, said the UK continued to "bump along the bottom". Signs of returning confidence had yet to translate into orders. Page 22

Polly Peck creditors told of plan

Creditors of Polly Peck International, the collapsed conglomerate, were told of plans to link Sansui Group, its Far Eastern electronics group, with two electronics companies. Page 22

Bad debts hit Australian bank

The Commonwealth Bank of Australia yesterday blamed recession and increased bad debts for a 45 per cent fall in net operating profits to A$272m (US$214.1m) for the year to the end of June. Page 17

Frankfurt inquiry widens

The inquiry into the allegation of illegal trading in the Frankfurt securities market has widened with up to 150 traders being investigated for tax-related offences. Page 16

FT-Actuaries World Indices

The World Index Panel has decided on some changes, which come into effect at the end of the current quarter. Page 36

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Credit Foncier	1164	+	9
Rises				Falls			
[illegible]	770	+	10	Aytomat-Pri	2215	-	85
[illegible]	442	+	6	[illegible]	320	-	10
Falls				Lafarge Coppee	349	-	2
[illegible]	349	-	5	[illegible]	409	-	6
[illegible]	269	-	20	**TOKYO (Yen)**			
[illegible]	670	-	15	Rises			
[illegible]	725	-	10	Chugoku Marine	926	+	72
NEW YORK ($)				Dai-Ichi Kogyo	838	+	82
Rises				Sankyo Seiko	1560	+	100
[illegible]	61¾	+	¾	Falls			
Falls				Dia Kensetsu	1360	-	290
AT&T	37⅞	-	⅞	Kasumi	1050	-	80
[illegible]	34¼	-	⅞	Shin Yei Steam	360	-	29
[illegible]	39⅞	-	2¼				
Falls (PWY)							
[illegible]	582	+	14				
New York prices at 12.30.							
LONDON (Pence)				Beazer	38	-	7
Rises				Brent Walker	13	-	2½
Adwest	53	+	12	Br Aerospace	508	-	10
[illegible]	162	+	18	Delta	412	-	13
[illegible]	73	+	9	Gaskell	135	-	9
[illegible]	70	+	12	Glaxo	1325	-	41
[illegible]	290	+	15	Oxford Instr	237	-	10
[illegible]	61	+	24	[illegible]	578	-	17
[illegible]	325	+	10	Savoy A	638	-	32
[illegible]	320	+	14	Select Appls	2	-	1½
[illegible]	61	+	4	Trafalgar Hse	229	-	18
[illegible]	383	+	6				
Falls							
[illegible]	272	-	17				

Hitachi cuts capital spending by 20%

By Steven Butler in Tokyo

HITACHI, Japan's largest electrical machinery manufacturer, has cut planned capital expenditure by 20 per cent in the year to the end of March 1992 in response to falling profits and weak demand for computer memory chips, the company said yesterday.

The cuts amount to Y60bn ($444.8m). Hitachi has projected a 27 per cent fall in pre-tax profits to Y150bn in the current fiscal year. The reductions will cut investment in facilities to produce 4 megabit dynamic random access memory (D-Ram) chips, the latest generation of high-capacity computer memory devices.

Hitachi planned to increase production from 3.5m a month to 5m by the year end. However, weak demand for computers, particularly in the US, has undercut sales projections and led to a rapid decline in memory chip prices. Prices for 4MB D-Ram chips have fallen from about Y6,000 a year ago to Y2,400 today. They are expected to decline to Y2,000 by the year end.

Toshiba and NEC, Japan's other big memory chip producers, yesterday said that investment plans were under review but no decisions had been taken. NEC said that current production of the 4MB D-Ram chips was between 2.5m and 3m a month and that it planned to increase production to 5m a month worldwide by the year end. Because of market conditions, however, facilities for 4MB D-Ram production could be shifted to produce other semiconductor devices.

Many Japanese industries are under pressure because of falling profits and the higher costs of raising investment capital, caused by high interest rates and low Japanese share prices.

The decision by Hitachi to cut planned production of the latest generation of high-capacity memory chips has underscored the huge expenses and risks of staying in the race for leadership in computer memory devices. Some analysts expect smaller participants to drop out of the race. Mr Barry Dargan, an analyst at James Capel, said: "It is just becoming so expensive to develop each generation of semi-conductors that you will see more concentration in the industry." After a shake-out, the three or four Japanese companies left would see higher margins on chip production.

John Ridding in Seoul examines the forthcoming liberalisation of the Korean stock market

Foreigners prise open the door

IN LESS than four months, the doors of the Korean stock market will finally creak open to foreign investors.

The market – the fifth biggest in Asia in terms of capitalisation, and third biggest in terms of turnover – is the largest in the world which is still closed to foreigners.

Until now, overseas investors have had little concrete evidence to evaluate the extent of Korea's liberalisation. But the release of final guidelines last week – though leaving several important areas unclear - sets the parameters for foreign ownership of Korean equity.

These parameters are limited. Foreigners will be restricted to owning 10 per cent of the shares in most Korean companies and 8 per cent of those involved in public utilities or other sensitive industries.

A few other companies, including Kepco, the leading electricity company, will be completely barred to foreigners. For foreign individuals, the limit will be 3 per cent ownership of the shares of any one company.

But the opening is even more restricted than these limits suggest.

Outstanding Euromarket equity-linked issues such as convertible bonds will be counted towards the various ownership limits. So too will strategic direct investments such as the 10 per cent of Kia Motors, Korea's second largest carmaker, which is owned by Ford of the US.

Taking these existing investments into account, and assuming an overall market capitalisation as high as $130bn at the time of opening, this would mean that a total of about $7bn worth of Korean stocks are eligible for foreign investment.

Excluding these existing investments, current market capitalisation is estimated at about $120bn by some analysts, which places it in the same league as the Hong Kong market.

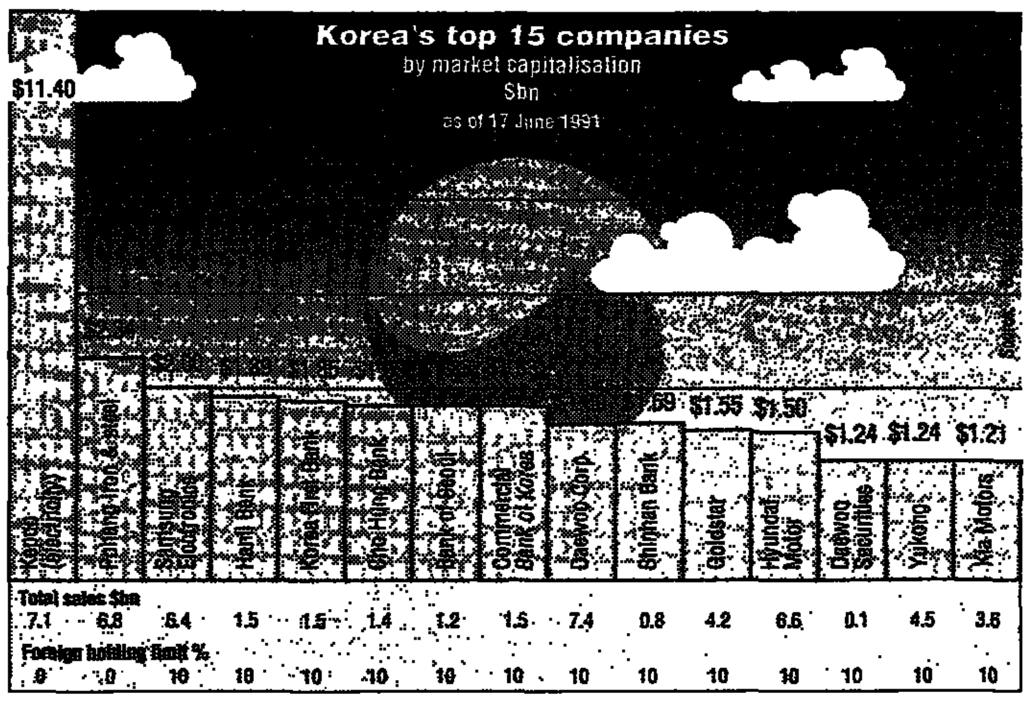
Holders of existing Euromarket issues will, however, have some advantages. From next month they will be able to convert those bonds which are due into underlying shares and trade them on the Seoul stock exchange. In so doing, however, they will lose the current premiums at which the equity-linked issues are trading.

The opening of the Korean market is in line with the government's capital market liberalisation programme announced in 1988 which set a timetable for opening the door to foreign investors. Pressure from trading partners, in particular the US, has kept the Korean government to its commitments.

"These guidelines are the last step which we promised in 1988," says Mr Oum Bong Sung, Counsellor to the minister of finance. "But they are also the first step in the second round of market opening" and that the limits for foreign ownership will be gradually increased.

Moreover, he says that the government will take a flexible stance concerning investment in companies which breach their foreign ownership limits because of overseas issues or direct investments. Foreign ownership of such companies could be allowed as high as 25 per cent, while issues of new classes of shares might also be permitted.

The question now is how many foreign investors will attend the opening party. Clearly the maximum potential investment will not come flooding in immediately. But just how appealing is the Korean market likely to prove?



The Seoul exchange is not the same market of 1987 and 1988 when the index virtually doubled in successive years on the back of rapid, export-led economic development. It has since fallen from a 1989 peak of 1,007 points to about 681 today.

Much of the reason is found in a host of economic problems such as rising manufacturing costs and the erosion of industrial competitiveness. But there has also been a rethinking of the view that Korean companies could quickly catch their rivals in Japan and the west.

London analysts think that there will be substantial business in South Korean shares.

According to Baring Securities, one of the four foreign securities firms granted permission to open branches in Seoul,Korean companies that have already issued convertible and warrant bonds and global depository receipts are all standing at a premium to underlying share prices in Seoul.

Mr Peter Bristowe, a director of Hoare Govett International, says the sheer size of the market should bring in the institutions in a big way.

Improving economic fundamentals coincide with equity market ratings which are not as "stratospheric" as they were several years ago.

The Korean economy remains one of the most dynamic in the world. A growth rate forecast at 8.9 per cent this year will see few equals while the problems of inflation and a rising trade deficit remain manageable.

Even with a run up prior to January, foreign investors are likely to find a reasonably-priced market. The weighted price-earnings ratio for the market as a whole is about 20 less than Tokyo and Taipei and other of the big Asian markets. Measures such as price to book value and price to gross cash flow reveal still cheaper shares.

The more familiar blue chip stocks are likely to have appreciated ahead of the entry of foreigners and may quickly see their ownership ceilings reached.

As a result, it may be second-tier and smaller companies which provide the best potential. "There is tremendous value to be found among smaller companies", says Mr Peter Irving, managing director of Korea Schroder Fund Management. But he cautions that many are highly geared, while liquidity can also be a problem.

The attraction of the various stocks alone, however, will not determine the success of the market opening. Just as important will be the practicalities of investing in the market such as placing orders and moving capital in and out of Korea.

On this count, much detail remains to be clarified. There are still grey areas concerning the permitted use of funds held in the accounts of foreign investors, arrangements for dealing and commissions, and whether foreign investors have to deposit funds in advance of executing a trade.

The ministry of finance promises a series of further announcements to clarify such concerns. But with January set as the opening date, time is ticking away.

Additional reporting by William Cochrane in London

IBM pins hopes on Enterprise launch

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines is due to announce today the launch of six new mainframe computers and related software and equipment which it hopes will boost slumping sales.

The launch is expected to have a significant impact on IBM's earnings and could be a bellwether for the computer industry.

Mainframe computer sales with related products and services generate more than half IBM's revenues and a larger portion of profits, making new product announcements critical for the company.

IBM's operating profits plunged 74 per cent in the first half of this year, and revenues were down 8 per cent, raising the spectre that it may report its first decline in annual revenues in 45 years.

The new mainframe models complete IBM's Enterprise Systems generation of mainframe computers, unveiled last year, and bring the new technologies to the lower end of the mainframe product line.

The company is expected to announce computers with one, two or three central processor units to complement bigger machines.

Over the past year, mainframe sales have been depressed by poor economic conditions. Industry analysts also say potential customers may have been waiting to see IBM's new machines rather than buy current products. The new mainframes will test this theory as well as boost IBM's competitive position versus makers of IBM "plug-compatible" mainframes, Amdahl and Hitachi Data Systems.

IBM dominates the world market for mainframe computers with an estimated share of more than 60 per cent.

NatWest launches £140m preference shares issue

By Simon London in London

NATIONAL Westminster Bank, the UK banking group, launched a £140m ($242.2m) preference share issue after the close of trading yesterday, bolstering its core capital and capacity to lend.

The second largest UK clearing bank picked Salomon Brothers, the US investment bank recently dropped by the British treasury from the £5bn British Telecom share issue, to run the issue instead of County NatWest, its merchant banking subsidiary.

The issue follows NatWest's interim results announced last month, which showed a pre-tax profit of £101m after record bad debt provisions of £902m. The issue, strongly rumoured during *trading hours yesterday*, was taken as a sign that the bank will not make a rights issue in the near future. The shares were unchanged yesterday, against a background of falling prices in the sector. While NatWest remains well-capitalised by international standards, it is keen to build capital resources wherever possible to allow for future asset growth.

Despite the thirst for new capital, few banks have issued sterling preference shares because the cost of capital is seen as high. The only issues still held by investors are two £100m deals launched by Bank of Scotland in November last year and in 1988.

Preference shares pay a fixed annual interest rate like debt securities but are subordinated almost to the level of equity. The shares issued yesterday pay a 12 per cent coupon and priced to yield 2.5 per cent more than long-dated UK government bonds.

The issue of irredeemable, non-cumulative preference shares will count as Tier I capital under the Basle accord on international bank capital adequacy. The accord requires international banks to achieve a minimum capital-to-assets ratio of 8 per cent by January 1993. Core capital, comprising only common equity and undated preference shares, must reach 4 per cent of assets. NatWest's Tier I ratio is just over 5 per cent, within the Basle target.

The choice of Salomon Brothers to lead the issue may be explained by the US firm's specialist knowledge of the market for bank securities. The firm has been active in gaining access to new sources of capital which are acceptable to the regulators. Earlier this year it led the first issue of permanent interest bearing shares (PIBS) for the Leeds Permanent Building Society.

Beazer agrees bank refinancing

By Andrew Taylor, Construction Correspondent

BEAZER, the heavily indebted construction and building materials group, yesterday announced an agreement with its bankers over refinancing, paving the way for the sale of its UK-based housebuilding, property and contracting businesses.

The agreement with about 100 lending banks requires repayment by Beazer of at least $600m (£355m). This is to be raised primarily from the flotation of the UK businesses. The pathfinder prospectus for the sale is due to be published today.

The group's net debt at the end of June was £1.025bn compared with shareholders' funds of £1.115bn, said Mr Brian Beazer, chairman and *chief executive*.

Details of the refinancing were announced as Beazer revealed pre-tax profits, including the UK operations, fell 43 per cent to £60.6m during the 12 months to the end of June.

Group turnover fell by 16 per cent to £1.93bn from £2.3bn.

Operating profits of the UK-based business, which will become a separately quoted company known as CHB, fell more than a third to £53m.

Profits from the US building material operations, retained by the Beazer group, fell more than 40 per cent to £64.4m.

Under the refinancing, dividend payments by the remainder of the Beazer group will be strictly controlled. Payments above a minimal level will depend on whether the group exceeds agreed profit levels, *according to bankers*.

In return, the group, following the initial repayment of $600m, will not have to repay further capital until the end of 1995. It will have to repay interest on loans during this period.

CHB will become a separately quoted company with almost no debt. It will be free to establish its own loan arrangements and dividend policy.

About 10 per cent of CHB shares are expected to be reserved for existing Beazer group shareholders, who will be given priority allocations in the flotation. About half Beazer's shareholders are thought to be in the US.

Beazer said yesterday that total group dividends, which for the last time include the UK businesses, had been reduced from 7.75p to 4p. Dividends on Ameri*can Depository Receipts, net of 15* per cent withholding tax, had been reduced from $0.57 gross to $0.30 gross per ADR.

Lex, Page 14

Citicorp expected to sell Italian unit for $300m

By Alan Friedman in New York

CITICORP, the leading US bank seeking to dispose of assets in order to strengthen its capital base, is expected to sell its 46-branch Italian banking subsidiary toward the end of this month in a deal likely to be worth around $300m.

The bank has already held talks with at least two prospective buyers – Deutsche Bank and Banco Ambrosiano Veneto.

Deutsche Bank, which controls the 100-branch Banca d'America e d'Italia (BAI), a profitable retail banking business it acquired from Bank of America in 1986, is thought more likely to succeed.

The Bank of Italy will have a final say in who acquires Citibank Italia and is believed to be leaning towards Deutsche Bank in order to preserve the Citibank branch network as a foreign-owned franchise.

The Italian central bank has long welcomed foreign banks to Italy in an effort to stimulate competition among the country's state institutions.

Citicorp paid around $120m to acquire the branch network in 1985 from the state-owned Banco di Roma, a part of the IRI state holding group.

Citicorp's own valuation of the 46 branches, located mainly in southern Italy, is about L400bn ($315m). Banco Ambrosiano is understood to be offering around L360bn for Citibank Italia.

Citicorp's Italian subsidiary has $2bn of deposits and $2.7bn of total assets. It is 97 per cent owned by its US parent, with the remaining 3 per cent traded on the Milan over-the-counter stock market.

At the time of its purchase of the Italian network, previously known as Banca Centro Sud, Citicorp planned to pool commercial and retail banking activities in an effort to blanket the Italian peninsula.

Aside from the need to raise funds in order to strengthen its capital, Citicorp has also found its combined strategy did not work as well as a market niche approach. Its Italian activities are mainly in the retail and small business sectors.

Générale de Banque rises 9%

By Andrew Hill in Brussels

GENERALE de Banque, Belgium's biggest commercial bank, pushed up net profit by nearly 9 per cent in the first half of 1991, but at the same time increased provisions against loan losses in the light of continuing economic uncertainties.

The group made BFr4.61bn ($129m) in the first half, against BFr4.24bn in the equivalent period last year. Générale said the increase in profit was due to a rise in Belgian franc interest income, despite shrinking margins, an improvement in commissions and foreign currency margin income, and continued strict cost controls, which helped reduce overheads slightly.

"All things being equal, the improving trend in profitability demonstrated during the first half-year should be maintained during the second six months," the bank said.

Depreciation charges and provisions rose by 14 per cent to BFr4.38bn from BFr3.84bn, of which the bulk was provisions against loan losses.

A Générale spokeswoman said yesterday: "We have a tradition of being very prudent as far as provisions are concerned."

The group said that lending to the private sector had risen by 6.9 per cent to BFr1,114bn, against BFr1,041bn, while public sector lending declined slightly to BFr611bn from BFr623bn.

Net profit included extraordinary charges of BFr700m – the penultimate tranche of staff reduction costs – whereas the extraordinary charges and gains offset one another in the first six months of 1990.

A further BFr700m of restructuring costs will be taken in the second half, completing a BFr3.4bn staff reduction plan.

Frankfurt securities market probe widens

By Katharine Campbell in Frankfurt

THE INQUIRY into the allegation of illegal trading in the Frankfurt securities market has widened, with up to 150 traders being investigated for tax-related offences.

The progress of the investigation has slowed and it will be several weeks before charges are brought, according to the city prosecutor's office. The office had indicated that preliminary results might be available early this month.

In June, a series of anonymous letters alleging improprieties in the securities departments of Deutsche Bank sparked an insider commission investigation as well as wider enquiries by the Frankfurt city prosecutors.

Many of the suspect transactions, which involve dealers from an unspecified number of banks and brokerage operations, are understood to relate to equity warrants.

Capital gains are only free of tax if securities are held for longer than six months, whereas warrants, which are often highly geared instruments, may fluctuate in price dramatically within days or hours.

Lloyds Chemists to acquire Macarthy

By Jane Fuller in London

MACARTHY, owner of a chain of UK chemists' shops which had attracted the attention of three bidders, has capitulated to the £83m ($140m) offer from Lloyds Chemists.

Lloyds' bid was the highest since Grampian Holdings, the Scottish mini-conglomerate, set the ball rolling in May. The Office of Fair Trading's decision to refer UniChem's £75m bid to the Monopolies and Mergers Commission removed the other strong contender from the field.

Although UniChem, the pharmaceuticals wholesaler, might have returned to the fray after an MMC inquiry, Mr Ian Parsons, Macarthy's chief executive, said: "The prospect of another three months' uncertainty was diabolical."

Lloyds' offer of one new share plus 21p cash for each of Macarthy's values the target's shares at 301p each. This compares with 168p on the eve of Grampian's first bid. Lloyds already owned or had acceptances for 23 per cent.

The attraction of Macarthy, which owns the Savory & Moore chain, included the recession-resistant nature of chemists' shops and a government-imposed barrier to the opening of pharmacies.

Lloyds still has to gain clearance from the OFT, which referred UniChem because of worries about competition in the wholesaling of prescription drugs.

If the bid is cleared, the additional 175 shops will take its total to 810, consolidating its position as number two to Boots, which has 1,069.

It will be the group's second big acquisition this year, following the Kingswood chemists' and Holland & Barrett health stores acquired for £55m in May, financed by a £71m one-for-two rights issue.

Mr Allen Lloyd, chairman, said Savory & Moore's profitability would be improved by cutting central costs, improving purchasing power and introducing higher margin own-label products.

BMW sales up 2.5% at 8 months

By John Griffiths in Frankfurt

BMW'S world-wide car sales increased by 2.5 per cent in the first eight months of this year despite recession in some major markets.

Mr Eberhard von Kuenheim, the chairman, said the rise was recorded despite "ruinous competition" created by the Japanese.

Speaking at the Frankfurt motor show, Mr Von Kuenheim warned that further action would be needed by BMW to reduce costs in Germany – the only country where it manufactures – if it is to remain competitive in the long term. The chairman also accused the Japanese of dumping in the US, although he did not name the manufacturers.

Describing Japanese manufacturers as having "an aggressive policy of conquering markets", he pointed out that Japanese manufacturers' share of world car production has risen to 31 per cent, up from 22 per cent in 1985.

Domestic US manufacturers had been the main casualty. Europe was now the main area for Japanese competition following the recent EC-Japanese "understanding" on the gradual opening of the EC market to unfettered Japanese competition by 1999.

In the year's first eight months, BMW produced 353,260 cars, up 2 per cent on year-ago levels, lifting group turnover by 5.5 per cent to DM19.006bn ($10.14bn). Unit sales rose to 357,600.

The increase was due to the 3 series range which went into production last year. Output of of the series is running at 1,200 a day compared with 400 a day at the start of the year.

BMW also unveiled the E1, a battery-powered electric "concept" car which is expected to form the basis for the company to comply with Californian legislation requiring manufacturers to sell a certain proportion of "ultra-low" and "zero" emission vehicles from 1998 onwards.

The company also announced another initiative on car recycling, under which it will offer to take back for recycling at the end of their useful lives all models in its current range, even those first registered several years ago.

● Audi unveiled what it described as a "design study" for a two-seater sports car using an all aluminium body on a tubular aluminium frame.

The unveiling of the vehicle, which uses a similar drivetrain to Audi's recently-launched V8 saloon range, immediately prompted speculation that it would soon emerge as a production car to provide Audi with a rival to Japan's proliferating sports car sector.

Porsche earnings fall victim to recession

By Our Financial Staff

PORSCHE, the German luxury sports car maker, suffered a drop in earnings in its financial year to July 31 1991 and said it will have to struggle to maintain profits and sales in 1991-92.

Mr Arno Bohn, chief executive, said he did not see an end to the recession in the US or Britain. "The weakness in western European countries continues. The trend is not turning around and poorer conditions will prevail," he added.

In the past few years, the company has been recovering from a slump in US sales, triggered by the 1987 stock market crash and the weakness of the dollar, by upgrading its models and reducing its dependence on North America.

But the severe weakness of the US market, which has affected all foreign imports, has dampened its progress in the past year. Porsche said yesterday that its turnover in 1990-91 slipped by 3 per cent to DM2.95bn ($1.7bn) from DM3.05bn.

It gave no profit figure, but the company has already indicated that net income fell to between DM50m and DM60m from DM68.4m (a rise of 26 per cent on 1988-89).

Much of the weaker earnings trend in the past financial year stemmed from the weakness of the dollar, which accounted for some DM60m of the DM100m sales decline.

Model changes and the economic uncertainty caused by the Gulf war also hit business, as did the recession in key markets. Porsche recently cut its US sales force after a 52 per cent slide in sales there so far in 1991.

Porsche also said that its car deliveries fell by 18 per cent from 31,235 units to 26,500 in the 1990-91 financial year. Because of the rise in domestic deliveries and the fall in foreign sales, the proportion of its output sold abroad fell from 69 per cent to 56.5 per cent.

This financial year, Mr Bohn said, sales and profits could be maintained at the previous year's levels "only with the greatest effort". He said that Japan was one bright spot, however; every sixth Porsche is currently sold in that country.

Bilspedition takes 20% of French transport group

By Robert Taylor in Stockholm

BILSPEDITION, the Nordic region's largest private transport group, has acquired 20 per cent of the shares in the Fatton group, which is one of France's leading transport and haulage companies.

The purchase of the stake in the Lyons-based group has been carried out through Bilspedition's French subsidiary, Scansped, which has co-operated for many years with the Fatton group and had a leading market position in transport between the Lyons area and Scandinavia.

The Swedish company said that the equity link formalised its long-standing relationship into a strategic alliance which was aimed at widening co-operation with Scansped across Europe.

Fatton will retain 70 per cent of the shares and the other 10 per cent is controlled by the BNP banking group.

Bilspedition's latest acquisition comes after a lively period of expansion designed to further the company's ambition to become one of Europe's biggest transport companies.

Magnusson to take over chair at Nobel Industries

By John Burton in Stockholm

MR BERNT Magnusson, one of Sweden's best-known corporate restructurers, has been appointed chairman of Nobel Industries, the chemical and defence group.

The choice of Mr Magnusson, who transformed the former Nordstjernan group from an unwieldy industrial conglomerate into Sweden's second largest construction concern under the NCC name, has increased speculation that Nobel may be broken up and sold.

Nordbanken, the state-controlled bank, last month took control of Nobel after its main shareholder, Mr Erik Penser, defaulted on bank loans. Mr Jacob Palmstierna, the deputy chairman of Nordbanken, will also become deputy chairman of Nobel.

Nordbanken has raised SKr5bn ($809m) in new capital through a share issue to help finance its rescue of Nobel, with the state subscribing to 70 per cent of the offer and underwriting the rest. Nobel lost SKr5.4bn through investments by its finance company subsidiary Gamlestaden.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR *PURCHASE DIRECT FROM THE BANK OF ENGLAND.* OFFICIAL DEALINGS IN THE STOCKS ON THE INTERNATIONAL STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON TUESDAY, 10TH SEPTEMBER 1991.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 9th September 1991, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£200 million	9 per cent TREASURY LOAN, 1994
£200 million	10½ per cent EXCHEQUER STOCK, 1997
£200 million	9½ per cent TREASURY LOAN, 1999

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 9th September 1991 as certified by the Government Broker.

In each case, the amount issued on 9th September 1991 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 9 per cent Treasury Loan, 1994 dated 17th July 1969, 10½ per cent Exchequer Stock, 1997 dated 14th October 1977 and 9½ per cent Treasury Loan, 1999 dated 12th January 1973 may be obtained from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW.

The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	*Redemption date*	*Interest payment dates*
9 per cent Treasury Loan, 1994	17th November 1994	17th May 17th November
10½ per cent Exchequer Stock, 1997	21st February 1997	21st February 21st August
9½ per cent Treasury Loan, 1999	15th January 1999	15th January 15th July

The further tranches of stock will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock.

Each of the Stocks referred to in this notice is specified under *paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979* as a gilt-edged security (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

9th September 1991

Fidelity Funds
Société d'Investissement à Capital Variable
33, Boulevard Prince Henri
L-1724 Luxembourg
R.C. No B.34036

Fidelity Funds has declared a dividend in respect of shares of Fidelity Funds - Sterling Bond Fund in issue at the close of business on 1st August, 1991, of £0.0054 pounds sterling (0.54 pence) per share. In the case of registered shares, dividends will be paid or reinvested in additional shares of Sterling Bond Fund, as appropriate, on 12th September 1991; dividend cheques not cashed within 5 years will lapse and the dividend will revert to Fidelity Funds.

In the case of bearer shares, dividends will be paid to holders of bearer shares in sterling (or by arrangement with the Paying Agent and at the cost of the shareholder, in any other currency) against tender of the relevant coupon (coupon no 3) to:

BANKERS TRUST LUXEMBOURG SA
P.O. BOX 807, 14 BOULEVARD F.D. ROOSEVELT
LUXEMBOURG, (LUXEMBOURG PAYING AGENT)

Chevreux de Virieu,
30 Rue Saint-Augustin,
750002, Paris France.

or

Midland Bank Plc
Int'l Division, 101/114 Cannon St.,
London EC4N 6AA

Bank of Ireland
Lower Baggot Street,
Dublin 2, Republic of Ireland

AMRO Bank
Herengracht 595
Amsterdam, The Netherlands.

NOTICE TO THE HOLDERS OF

TVO
Teollisuuden Voima Oy

FRF 500,000,000
Retractable Bonds due 2001

Notice is hereby given that pursuant to clause (b) of paragraph *Interest* of the Terms and Conditions of the Bonds, the Bonds shall bear interest for the five-year period commencing October 23, 1991 at a rate which shall be equal to 0.90 % per annum above the yield of the OAT 9.80 % 1996 quoted on the Reuter page CDCP by the Caisse des Dépôts et Consignations at noon (Paris time) on October 21, 1991, such rate being rounded to the nearest whole multiple of 1/8 %.
The new interest rate resulting from the above-mentioned formula will be published in accordance with the Terms and Conditions of the Bonds on October 24, 1991.

Notice is further given that pursuant to paragraph *Prepayment at the Option of the Bondholder*, the holder of any of the above Bonds will have the option to have such Bonds redeemed by TVO at par on October 23, 1991 («the Interest Option Date»).
To exercise such option, the holder must surrender such Bonds to be redeemed (together with all coupons appertaining thereto which mature after such Interest Option Date) to the Paying Banks, at the addresses mentioned on the Bonds, against issuance by any paying bank to which the Bond has been surrendered, of a receipt, not more than 30 not less than 15 days prior to the Interest Option Date.

Luxembourg, September 11, 1991

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

Notice of Early Redemption

Kingdom of Sweden

Issue of up to £75,000,000 11¼ per cent.
Bonds due 1993

NOTICE IS HEREBY GIVEN to the Bondholders that, in accordance with Clause 8(b) of the Terms and Conditions of the Bonds, the Kingdom of Sweden will redeem all of the outstanding Bonds at 100½ per cent. of their principal amount on 15th October, 1991, (the "Redemption Date"), together with interest accrued to the Redemption Date.
Payment of principal and interest will be made on or after the Redemption Date at the specified office of any of the Paying Agents listed below against surrender of the Bonds, together with all unmatured Coupons attached.
The accrued interest payable upon presentation of each Bond will amount to £93.75 per £5,000 denomination.

PAYING AGENTS
Bankers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE

Bankers Trust GmbH
Bockenheimer Landstrasse 39
D-6000 Frankfurt am Main 1

Banque Indosuez Belgique S.A.
rue des Colonies 40
B-1000 Brussels

Banque Indosuez Luxembourg
39 Allée Scheffer
L-2520 Luxembourg

Swiss Bank Corporation
1 Aeschenvorstadt
CH-4002 Basle

Bankers Trust Company, London
11th September, 1991

Agent Bank

RIDDELTON LIMITED
HK$1,000,000,000
Floating Rate Bonds due 2000
Guaranteed by
[illegible] DEVELOPMENT (INTERNATIONAL) LIMITED

[illegible]

Wardley Limited
Agent Bank

RIDDELTON LIMITED
HK$1,000,000,000
Floating Rate Bonds due 2000
Guaranteed by
[illegible] DEVELOPMENT (INTERNATIONAL) LIMITED

[illegible]

Wardley Limited
Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Heinz advances to $254m on gain from disposal

By Martin Dickson in New York

H.J. HEINZ, the US foods group, yesterday announced a sharp rise in first-quarter earnings, but the increase was due to a one-time gain from the sale of a business. The company's underlying profits performance dipped from the same period of last year.

Heinz reported net income of $254.4m, or 96 cents a share, compared with income of $143.2m, or 54 cents, in the same period of last year.

However, the results included a $221m pre-tax gain on the sale last June of Hubinger, a corn milling operation in Iowa. Stripping that out, the company's operating income totalled $213m, compared with $266m in the same period of last year. Sales dipped from $1.56bn to $1.50bn, partly because of the disposal of Hubinger and other interests.

The group's sales were also hit by reduced unit volume and the strengthening of the dollar. However, those factors were offset by an increase in the value of sales, due to price increases on many of the company's core products.

The company said the gain from the Hubinger sale had been partially offset by increased marketing initiatives and charges associated with cost reduction programmes, both of which would continue and intensify throughout the year.

Mr Anthony O'Reilly, the chairman, said the gain from the sale of Hubinger gave the company a unique opportunity to go on the attack, increasing marketing support for its brands and accelerating cost reduction programmes.

This would allow the company to deliver full-year results in line with past trends and, together with the $500m acquisition of J L Foods, a national distributor, would "enable us to extend our growth trend through the 1990s," Mr O'Reilly said.

However, the figures were below some analysts' expectations, and Heinz shares fell to $38⅝, down $2¼ in morning trading on the New York Stock Exchange.

Pimco stops Treasury dealing with Salomon

By Patrick Harverson in New York

SALOMON Brothers, the embattled Wall Street securities house, lost another customer when Pacific Investment Management Company (Pimco), the $32bn US investment fund, announced it was suspending all dealings in government securities with the firm.

Pimco was the client which unknowingly bid for $1bn of Treasury bonds in February when Mr Paul Mozer, the former head of bond trading at Salomon, tried to play a practical joke on a departing colleague. Mr Mozer was fired last month over the auction-rigging scandal that engulfed the securities firm at the beginning of August.

The joke bid, which Mr Mozer never intended to be submitted, eventually led to the US Treasury awarding over $870m in 30-year bonds to Pimco. The investment fund never knew it owned the securities, which after the auction were placed into the account of another Salomon customer and eventually sold back to Salomon.

Mr William Gross, managing director at Pimco, said the suspension was indefinite, and that there was no possibility of Salomon earning a reprieve.

The suspension does not apply to other securities such as equities or corporate bonds, but Salomon will still lose a substantial amount of business because of the decision. Pimco holds about $15bn of government securities at any one time.

● The US Federal Bureau of Investigation confirmed it was looking into "securities and anti-trust violations" in connection with the Salomon Brothers affair, Reuter reports from New York. The FBI is part of the US Justice Department, which is already looking at the criminal aspects of the case.

Commonwealth Bank tumbles 45%

By Kevin Brown in Sydney

COMMONWEALTH Bank of Australia yesterday blamed recession and increased bad debts for a 45 per cent fall in net operating profits to A$272m (US$214.1m) for the year to the end of June.

The result, which was in line with market forecasts, comes two days before Commonwealth's debut on the Australian Stock Exchange following the flotation last month of just under 30 per cent of the stock.

Most of the fall in net profits was accounted for by a 122 per cent increase to A$1.02bn in charges for bad and doubtful debts following the takeover of the State Bank of Victoria (SBV) last year.

The A$1.6bn acquisition of SBV followed a rescue package agreed between the federal and Victoria state governments in the wake of the crash of Tricontinental, SBV's merchant banking subsidiary.

Analysts had forecast a significant increase in Commonwealth's bad debt portfolio because of SBV's exposure to corporate failures in Victoria, the centre of Australia's domestic recession.

However, Commonwealth said SBV had begun to contribute to operating profits in the second half. The purchase of SBV had been of "major strategic value", and would yield further benefits when the integration of the two banks was completed, the board said.

Commonwealth said net profit had risen to A$889m, including abnormal items of A$617m. The main abnormal item was a transfer of A$533m from the bank's superannuation fund to reflect surplus contributions. Net profit after abnormals last year was A$531m.

Mr Don Sanders, managing director, said the bank had followed a "conservative" provisioning policy in the light of the difficulties facing customers as a result of the recession.

"The bank's operating profit was affected by the recessionary conditions which slowed the economy, contributed to a fall in demand for finance and led to increased bad and doubtful debts," he said.

Mr Sanders said weak domestic activity and depressed world markets for key exports were expected to limit opportunities during the current year and would intensify competition for quality lending.

"However, Commonwealth Bank is well positioned to share in the benefits when the economic recovery gets under way," he said.

The board said the bank expected to pay its first interim dividend on April 30 and its first final dividend in October. The payout was likely to be higher than returns to the government in recent years, the directors said.

The federal government raised A$1.3bn from the flotation of just under 30 per cent of Commonwealth, the biggest flotation in Australian corporate history.

The flotation was oversubscribed by A$600m, indicating that the A$5.40 shares would trade at a significant premium when the bank is listed tomorrow.

TNT sells 18% stake in exploration company

TNT, the Australian-based transport group, yesterday sold its 18 per cent stake in Petroleum Securities Australia, an oil and minerals exploration company, as part of its divestment of non-core holdings, writes Kevin Brown.

The group said it had sold 14.17m shares held by Primera, a subsidiary, and 1.25m shares held by the TNT Superannuation Fund for a total of A$2.47m (US$1.9m). The group said the sale price represented a profit of A$2.47m, indicating the holding had been written down to zero.

The stake was bought by Den Duyts, a company associated with senior Petroleum Securities executives, including Mr Adrian Fletcher, the chairman, and Mr Terry Fern, the managing director.

Petroleum Securities operates in the Canning Basin of Western Australia, in Papua New Guinea, and in the US, where it has extensive oil and gas interests, including a joint venture in the Rocky Mountains with Ampol Exploration.

The company also has small gold mining interests through its subsidiaries Climax Mining and Salamander Gold Mines.

TNT has been disposing of non-core holdings since reporting a net loss of A$197m for 1990-91. The sales are intended to reduce debt, following worries over the group's liquidity.

Last month, TNT sold half of its 19.7 per cent stake in Normandy Poseidon, the Australian resources group, for A$51.5m.

TNT has also taken steps to stem heavy losses from its express delivery activities in Europe, where it has formed joint ventures with a number of post offices.

Ashok Leyland cash call to fund truck development

ASHOK Leyland, the Madras-based commercial vehicle manufacturer, is restructuring its operations in an attempt to accelerate growth, writes Gita Piramal in Bombay.

In the first phase of the shake-up, the company plans to spend Rs5.68bn ($220.8m) on developing a new series of vehicles, the Ashok Leyland 2000, with payload capacities of 4 to 8 tonnes.

Mr R J. Shahaney, managing director, said: "It is a global concept. We want to tie together technology from Iveco of Italy, Hino of Japan and ZF of Germany with Indian automobile technology. We hope it will give our vehicles a competitive edge in world markets."

To help finance the development programme, Ashok Leyland is launching a Rs2.15bn issue of partially convertible debentures on a rights basis.

The company, a member of the Hinduja Group, a diversified $2bn international trading house, recently announced good results for the fiscal year to the end of March.

Sales, at Rs8.33bn, were up by 34 per cent, while gross profit was Rs919m compared with last year's Rs756m.

The company sold 24,698 vehicles locally and exported 1,189. Profits after tax were Rs262m.

At the same time, Ashok Leyland accounts show an 18 per cent rise in financial expenses which probably cut into margins.

With interest rates soaring and the rupee steadily weakening against other currencies, the cost of the new capital investment may turn out to be heavier than anticipated, however.

Canada may help de Havilland

CANADA'S federal government and the provincial government of Ontario are prepared to provide C$303m ($266m) in development aid for Boeing's de Havilland commuter aircraft division over five years, Reuter reports from Toronto.

Investment Canada, the federal agency, said that the aid would be allocated on a project-by-project basis.

The announcement followed the federal government's postponement of the deadline for approving a bid for the company from a consortium comprising Alenia of Italy and Aerospatiale of France.

Investment Canada said that the European consortium was willing to accept a Canadian partner in its bid, a condition laid down by the federal government, but no Canadian company has taken up the offer to participate.

Commenting on Boeing's inability to turn a profit at de Havilland, Mr Ed Philip, Ontario's industry minister, said: "Boeing was basically in a different type of business – wide-bodied jets. We think the partnership with [the consortium] has tremendous potential."

Aerospatiale and Alenia – as well as de Havilland – specialise in making small, 30 to 70-seat commuter aircraft.

Mr Philip said that he believed the best way to protect jobs and research and development in Ontario was to seek an equity position in the industry.

Michael Wilson, federal minister in charge of Investment Canada, said government aid depended on specific undertakings and assurances in the consortium's revised business plan.

"The deal is not done and some difficult issues remain to be settled, but substantial progress has been made," Mr Wilson said.

Seagram renews repurchase plan

By Robert Gibbens in Montreal

SEAGRAM, one of the world's leading drinks groups, has renewed for another 12 months its share repurchase programme which was due to expire on September 24.

Under the programme, the group can purchase up to 4.76m Seagram shares or 5 per cent of the total issued as of August 31 last year on the open markets through the New York, Toronto and Montreal stock exchanges. Any purchases can take place between September 25 this year and September 24 1992.

Under the old programme, 190,000 shares were repurchased at an average price of US$80.29, or a total of US$15m.

Seagram stock, however, has been moving up steadily. It now stands at around US$111, down from a 52-week high of US$117, following a sharp second-quarter drop in earnings due to a restructuring charge and the impact of the global recession. The 52-week low is US$73.

Mr Philip Koven, an analyst with Richardson Greenshields, Canada, said Seagram would repurchase stock on market weakness. As with most other analysts, he has reduced his estimate of Seagram's fiscal 1992 earnings – to US$7.65 a share from US$8.05.

● TLC Beatrice International, the foods group, has sold its French distribution unit, Maxime Delrue, to Tropicana Continental, AP-DJ reports. The purchase price was not disclosed.

Tropicana Continental is the French affiliate of Tropicana Products, a wholly-owned subsidiary of Seagram.

Maxime Delrue has imported and sold, among other products, Tropicana orange and grapefruit juices for more than 25 years.

TLC said it planned to use the proceeds for general corporate purposes.

Tropicana said that Maxime Delrue would operate as a separate subsidiary within Tropicana Europe.

Ford expected to offer debt securities

FORD, the US carmaker, is expected to sell $700m of debt securities in a two-part offering that will be priced as soon as possible, according to Wall Street sources, AP-DJ reports.

The first part of the offering consists of $350m of 10-year notes which will be sold through underwriters led by Goldman Sachs & Co.

The non-callable notes are expected to be priced at a spread of 125 to 130 basis points above the Treasury's 10-year note.

The second part consists of $350m of 20-year debentures also to be sold through underwriters led by Goldman.

The non-callable debentures are expected to be priced at a spread of 145 to 150 basis points above the Treasury's 30-year bond.

The debt securities are expected to be rated Single-A2 by Moody's Investors Service and Single-A by Standard & Poor's.

Malaysian plantation deal proposed

By Lim Siong Hoon in Kuala Lumpur

KUALA Lumpur Kepong (KLK), a leading Malaysian plantation group, is proposing to buy all the plantation assets of Batu Kawan, its largest shareholder.

The M$218m (US$79m) deal, paid with 58.1m KLK shares at M$3.75 each, will give Batu Kawan a 42.6 per cent stake in the plantation group.

It will also consolidate nearly all the plantation interests of Mr Lee Loy Seng, KLK chairman, at a time when many other Malaysian plantation groups face fragmentation because of low returns on commodities. KLK's land holdings will increase by 16 per cent to nearly 197,000 acres.

As part of the deal, two plantation subsidiaries listed in the UK and Hong Kong will be transferred to KLK.

Batu Kawan, which gains M$66.8m from the sale, will be left with four small manufacturing subsidiaries. The group said it was seeking to expand into the industrial sector.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Prov Price for Trading on 11.09.91: Pool p'chase price £/MWh	Final Prices for Trading on 14.08.91: Pool p'chase price £/MWh	Pool selling price £/MWh
0030	16.18	15.84	15.84
0100	16.10	15.63	15.63
0130	16.10	15.57	15.51
0200	16.10	16.51	15.51
0230	16.10	15.51	15.51
0300	16.10	15.51	15.51
0330	16.10	15.51	15.51
0400	16.10	15.51	15.51
0430	16.10	15.55	15.56
0500	16.10	15.55	15.55
0530	15.94	15.51	15.51
0600	15.97	15.67	15.67
0630	16.00	15.73	15.73
0700	19.02	15.73	15.73
0730	19.24	17.00	19.47
0800	22.05	17.99	20.49
0830	24.50	18.43	20.92
0900	30.19	20.08	22.81
0930	32.10	21.97	24.59
1000	32.64	22.02	24.65
1030	32.08	22.03	24.68
1100	31.98	22.03	24.68
1130	34.26	22.09	24.74
1200	35.32	22.15	24.82
1230	33.58	22.12	24.78
1300	28.37	22.01	24.65
1330	23.53	18.72	21.23
1400	22.10	21.87	24.47
1430	21.61	21.86	24.46
1500	21.56	21.88	24.48
1530	24.65	21.86	24.46
1600	22.85	21.88	24.48
1630	26.72	21.90	24.52
1700	25.23	21.92	24.54
1730	26.68	21.90	24.51
1800	23.91	21.87	24.47
1830	19.85	21.84	24.43
1900	19.06	19.86	22.40
1930	19.05	18.41	20.92
2000	22.42	17.99	20.48
2030	20.69	17.98	20.46
2100	23.24	20.29	22.84
2130	22.20	28.30	31.08
2200	19.29	28.30	31.05
2230	19.25	17.99	20.48
2300	19.02	17.98	20.46
2330	18.54	17.52	20.00
2400	16.00	17.08	19.55

Prices are determined for every half-hour in each twenty-four period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

N.G.C Settlements Limited

INTERNATIONAL CAPITAL MARKETS

Treasuries weaken as long positions are trimmed

By Patrick Harverson in New York and Sara Webb in London

US BOND prices weakened slightly at the long end of the market yesterday morning after some market players trimmed their long positions in the absence of an interest rate cut by the Federal Reserve.

By midday, the benchmark 30-year bond was down 1/8 at 101 5/16, yielding 8.002 per cent. The two-year note, however, held steady at 100 3/32, to yield 6.303 per cent.

Yesterday's declines were to be expected. Bonds firmed sharply on Monday in expectation of an interest rate reduction, so it was inevitable that when the Fed failed to move, some of those who had bought bonds would sell them.

The balance of opinion, however, still favours a 50 basis point cut in the discount rate to 5 per cent. However, analysts now feel that the Fed is waiting until tomorrow and Friday's producer and consumer prices data before acting.

Yet, every day that passes without a Fed easing will chip away at the market's hopes for lower interest rates.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.1672	+0.084	10.68	10.74	10.69
BELGIUM		9.000	06/01	96.6500	-0.250	9.21	9.22	9.37
CANADA *		9.750	12/01	101.1750	+0.050	9.56	9.64	9.83
DENMARK		9.000	11/00	98.2250	+0.050	9.12	9.22	9.33
FRANCE	BTAN	8.500	11/96	97.6905	-0.038	9.08	9.11	9.29
	OAT	8.500	01/01	103.5400	-0.230	8.91	8.93	9.13
GERMANY		8.750	08/01	102.1400	-0.220	8.42	8.41	8.58
ITALY		12.500	03/01	98.4800	+0.130	13.19	13.31	13.46
JAPAN	No 119	4.800	06/99	90.8846		6.57	6.59	6.69
	No 129	6.400	03/00	100.8026	-0.028	6.24	6.30	6.51
NETHERLANDS		8.500	03/01	98.1600	-0.220	8.78	8.74	8.87
SPAIN		11.900	07/96	101.1600	-0.140	11.54	11.59	11.91
UK GILTS		10.000	11/96	101-10	+22/32	9.66	9.87	10.07
		10.000	03/01	103-24	-01/32	9.71	9.82	10.02
		9.000	10/08	95-24	+03/32	9.51	9.62	9.76
US TREASURY *		7.875	08/01	101-01	+00/32	7.72	7.82	7.95
		8.125	08/21	101-10	-03/32	8.01	8.07	8.17

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ UK government bond prices rallied on signs of a slowdown in inflation, but the market fell back later in the day on profit-taking and sterling's weakness to close slightly lower.

The announcement that producer price inflation had slowed more than expected, with a 0.1 per cent increase in August compared with a 0.4 per cent rise in July, confirmed hopes of a fall in inflation. Output prices rose 5.6 per cent in the year to August, down from a rate of 5.9 per cent in July.

The expected continued fall in PPI inflation is expected to feed through to further falls in RPI inflation over the next few months, leading to hopes of further base rate cuts.

The Bank of England took advantage of the market rally to sell some of its three tranches of gilts. Traders reported some switching from short-dated gilts into long-dated issues as investors moved away from the area of funding.

The Liffe gilt futures contract opened at 95.05 and traded at around 95.06 by late afternoon, while the benchmark 11¾ per cent gilt due 2003/07, which opened at 113¾, slipped to 113 5/8.

■ PROFIT-TAKING pushed French government bond prices down ⅛ of a point yesterday, following the market's recent rally.

Traders said rumours swept the market that Mrs Edith Cresson, the French prime minister, was about to resign. However, the fall in bond prices was attributed mainly to profit-taking and the lead given by the US Treasury bond market.

The 9.5 per cent OAT due 2001 ended at 103.54, to yield 8.91 per cent, against 103.77 and 8.88 per cent at Monday's close.

The yield spread over the equivalent German bund was 51 basis points, compared to 50 on Monday.

■ JAPANESE government bonds reached new highs yesterday as the yen strengthened against the dollar to give a yen-dollar exchange rate of below 135.

However, bond prices fell back to close lower on the day as hopes of an easing in US interest rates faded. The yield on the benchmark No 129 JGB, which opened at 6.225 per cent, moved to 6.305 per cent before closing at 6.24 per cent.

P&O seeks HK exchange listing

BRITISH-based Peninsular & Oriental Steam Navigation (P&O) is seeking a secondary listing on the Hong Kong Stock Exchange, and deferred stock trading is due to start tomorrow, Reuter reports from Hong Kong.

The shipping, property and construction and services company said the listing would complement its existing listings on the London, Tokyo, Paris, Frankfurt, Amsterdam and Australian exchanges.

Polish move for NMB

DUTCH banking concern NMB Postbank has opened an office in Warsaw, making it the first European Community bank to receive a banking licence from the Polish authorities, AP-DJ reports from Amsterdam.

Operating under the name NMB Bank Warsaw, the new operation will offer international and domestic banking activities, focusing on corporate finance, trade and commodity finance, investments and international payment services.

NMB said the decision to open in Poland formed part of a strategy to build up its position in central and eastern Europe. The NMB Postbank Groep network at present includes offices in Vienna, Moscow and Bratislava.

NMB has already gained entry into the Polish financial market through the financial consultancy organisation NMB Bank Handlowy Consultants, a joint venture with Bank Handlowy, Poland's largest bank.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.05 pm on September 10

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	88¼	89½		7.09
AUSTRIA 4 5/8 98	100	88¼	89	+¼	6.89
CHUJITSUYA 7 3/4 95	50	100½			7.60
COUNCIL EUROPE 4 3/4 98	250	88	88½	-¼	7.13
EEC 5 1/2 00	100	90½	91	+1	6.92
EIB 5 3/4 93	100	97	98	-½	7.31
ELEC DE FRANCE 7 1/4 06	100	102½	103		6.96
FINLAND 5 3/8 95	150	95½	96½		6.65
GENERAL MOTORS 7 1/2 95	100	100½	102	+½	7.31
JAPAN DEV BK 5 1/2 94	100	96	96½		7.34
KOBE 6 3/8 01	240	97½	98		6.73
NEW ZEALAND 4 7/8 99	200	87	87½		7.19
QUEBEC HYDRO 5 08	100	76½	77½		7.53
WORLD BANK 5 03	150	84¼	84¾	+¼	6.99
WORLD BANK 7 01	600	102¼	102¾		6.66

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	96½	96¾	+¼	6.38
CREDIT FONCIER 5 1/4 94	20000	96¼	96¾	+¼	6.54
DENMARK 7 95	40000	101⅞	102¼	+¼	6.35
EIB 4 5/8 94	40000	96	96¼	+⅛	6.30
FINLAND 6 3/4 96	50000	101¼	101½	+⅛	6.41
GENERAL ELECTRIC 5 3/4 93	35000	98¼	98⅝	+⅛	6.85
INTER AMER DEV 7 1/4 00	30000	105¼	105½	+⅛	6.43
KANSAI ELEC PWR 4 5/8 94	60000	95¾	96	+⅛	6.41
NIPPON TEL & TEL 5 7/8 96	50000	97⅞	98⅛		6.38
NORWAY 5 1/8 95	50000	96½	96⅝	+⅛	6.36
SNCF 6 3/4 00	30000	102¼	102⅝	+⅛	6.41
SWEDEN 5 5/8 95	20000	97⅜	97⅝	+⅛	6.38
WORLD BANK 6 3/4 00	50000	102⅝	102⅞	+⅛	6.37

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
QUEBEC PROV 01	300	96.33	96.58	6.1250
RENFE 98	500	99.87	99.97	6.0625
SOCIETE GENERALE 96	300	99.11	99.21	6.3125
STATE BK VICTORIA 0 05 99	125	98.60	98.85	6.4875
UNITED KINGDOM -1/8 96	4000	99.98	100.01	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	117¾	118¾	+8.29
ASDA-MFI 4 3/4 02 £	100	1.64	120¼	121¼	+99.20
BURTON GROUP 4 3/4 01 £	110	2.38	122⅞	124⅜	
EASTMAN KODAK 6 3/8 01	300	50.67	98⅛	99⅛	+15.59
GOLD KALGOORLIE 7 1/2 00	65	1.0554	68¼	69¼	+50.43
GOODYEAR TIRE 6 7/8 03	150	80¼	83	84	+58.12
GRACE (WR) 6 1/4 02	150	42½	98¾	99¾	+12.43
HANSON 9 1/2 06 £	500	2.5875	99⅞	100⅞	+18.27
HAWLEY 6 02 PREF	400	19.1	81¼	85	
HILLSDOWN 4 1/2 02 £	150	4.16	113½	114¾	+86.62
INTL PAPER 5 3/4 02	200	68½	102¼	103¼	+6.44
LAND SECS 6 3/4 02 £	84	6.72	87½	88½	+10.53
MITSUBISHI BK 1 3/4 02	300	2727.1	108¼	110	+0.41
OGDEN 6 02	65	39.077	72	73	+43.37
PACIFIC DUNLOP 6 3/4 97	75	3.749	107	108	-0.58
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	85	86	
THORN EMI 5 3/4 04 £	103	7.45	118¼	119¼	+9.01

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price: the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Screens dim for Forex dealers in Tokyo

THE Tokyo foreign exchange market has seen a drop in business volume so sharp that some banks are reducing their operations and others are pulling out altogether.

The decline has most seriously affected foreign banks in Tokyo, some of which have relied on foreign exchange trading as a mainstay. Like other financial markets in Japan, the Forex sector is a victim of the squeeze on credit which slowed investment activity.

Last week, dollar-yen spot volume traded through Forex brokers fell to a six-year low of $860m. Volume has fallen steadily, with daily averages down to $4bn in August, less than one-third of last October's $12.7bn peak.

Mr Akihiko Kagawa, chief dealer at the Bank of Tokyo, says that interbank direct dealing among banks have also declined significantly. He says trust banks, one-time leading players in the inter-bank market, have dropped out of the "major league" or banks trading in lots of $50m in direct dealing.

Foreign banks are packing up or slimming their operations as the credit squeeze hits foreign exchange trading, writes Emiko Terazono

Trust banks have been hit by the decline in trust fund investment, with the weakness of the stock market prompting companies to cancel trust fund contracts. Investment levels by fund trusts have fallen from Y11,132bn ($8.2bn) in March 1990 to Y8,500bn in July this year.

Mr Kagawa says that the number of banks in the "$50m league" has halved to seven or eight players.

Another reason is the decline in cross-border capital flows. Turnover of overseas securities investment by Japanese institutions for the first six months of 1991 was 10 per cent down on the year-ago period.

Mr Kagawa says institutional capital transactions, which at one stage constituted 80 per cent of trading volume, have almost disappeared. However, because Japanese banks have a commitment in the Tokyo market, they cannot shrink their operations to the same extent as some foreign banks.

Foreign exchange brokers, whose commissions are directly affected by business volume, are gloomier. Mr Kazuo Fujii, of Forex brokers Nittan AP, says that if the present situation was prolonged, some of the smaller brokers will face problems.

Mr Fujii attributes the current sluggishness to the "two Bs" – the burst of the financial bubble, the Bank of International Settlement's capital asset ratio rules, and bank mergers.

Some foreign banks have started to head for the door. First Interstate Bank of California moved its Forex operations to Singapore in May, while First National Bank of Boston has cut its Tokyo Forex operations by half. Mellon Bank moved out of Tokyo altogether in June.

An official at the Institute of Foreign Banks in Tokyo says some banks are finding it difficult to justify keeping several trading rooms in the same time zone. Of the 89 foreign bank branches in Tokyo, 27 banks reported losses at the end of March, while 15 branches suffered reduced profits.

However, Mr Richard MacDonald, at Barclays Bank Tokyo, says that it has mainly been the US banks which have been contracting operations. He points out that to some extent their decisions centre around problems faced in the US.

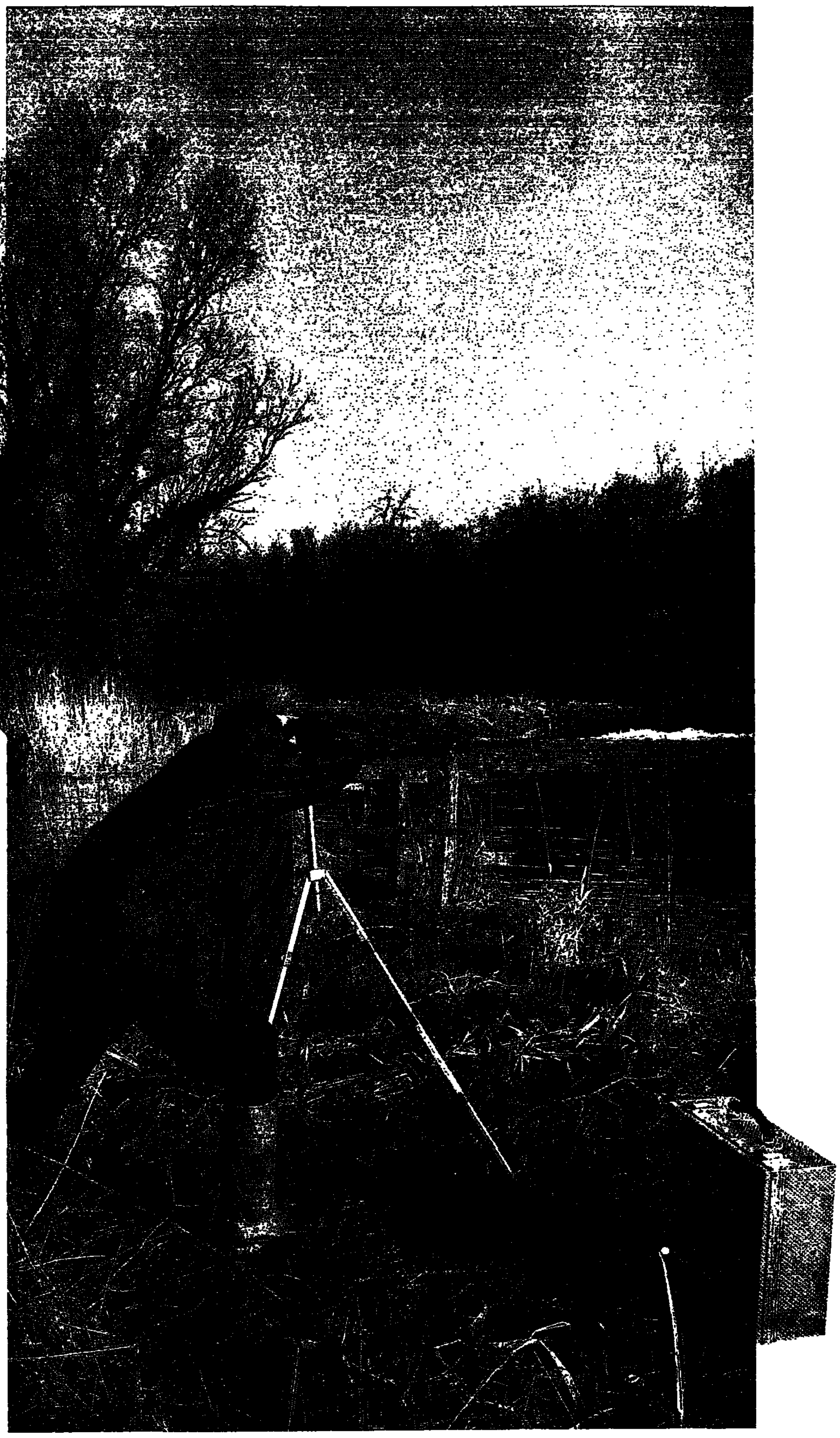
Mr MacDonald says that European banks are less reliant on dollar-yen activity. "The Japanese banks which rely heavily on client business are the ones that are hurting the most. The European banks trade mainly in European currencies such as the sterling and D-Mark and are not as dependent on customer orders."

Mr Kagawa feels it may take another 18 months before institutions become active again. He says some sporadic activity may be seen this month due to transactions related to interim book closing, but the sluggishness will continue for the time being.

Screens dim for Forex dealers in Tokyo

Foreign banks are packing up, slimming their operations as the credit squeeze hits foreign exchange trading writes Emiko Terazono

Bill Coleman, talented amateur photographer and investment banker with an environmental focus.



Bill Coleman believes the environment is a sound investment.

Bill Coleman is not an ecologist, he's a banker.

He looks at the world's growing preoccupation with environmental issues from a different perspective. One which has begun to influence the advice he gives investment clients at James Capel & Co. in London.

"There can be no doubt about the scale of opportunity for companies which can help bridge the gap between the demand for energy and the realities of protecting our environment", says Coleman.

"We are seeing the emergence of a new business sector spanning a range of energy and environmentally-related technologies that is going to rank alongside such things as microelectronics, telecommunications and genetic technology in importance.

"Nature's energy resources are undervalued assets in more ways than one."

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INTERNATIONAL CAPITAL MARKETS

Argentina breaks the lull with $300m two-year deal

By Simon London

THE DEARTH of new issues in the Eurodollar sector of the Eurobond market was broken yesterday with contrasting high-yield and very low-yield deals launched by Argentina and the European Investment Bank.

Argentina added its name to the growing list of Latin American borrowers which have returned to the international capital market this year.

It launched a $300m two-year deal, lead-managed by J. P. Morgan Securities, and priced to offer investors a semi-annual yield of 11.3 per cent – a hefty yield spread over US Treasury bonds of 510 basis points.

Participants in the deal reported strong demand from continental Europe and offshore US investors, the two areas which have been most consistent buyers of Latin American paper. The bonds traded up from an issue price of 99½ to be at 100⅛ by the close of trading.

Like Brazil, which has tapped the market this year through the Petrobras state-owned oil company, Argentina has not agreed a full debt rescheduling agreement with its bank creditors. In view of investors' concern about the credit quality of the issuer, the deal offers investors a put option after one year.

A contrasting deal came from the European Investment Bank, which launched a $300m five-year issue lead-managed by S. G. Warburg. The deal carries a coupon of 7½ per cent and was priced to yield 25 basis points over US Treasury bonds of this maturity – considered to be very tight by many intermediaries before the bond was launched.

However, doubt proved unfounded. The deal saw strong demand from European investors and traded up from a fixed re-offer price of 99.734 to stand at 99.98 bid by late afternoon, where the yield spread

INTERNATIONAL BONDS

over Treasuries is 18 basis points.

Sandoz, the second largest Swiss pharmaceuticals group, made a rare visit to the international debt market, launching a $500m warrant bond issue, lead-managed by UBS Phillips & Drew.

The seven-year bonds pay a coupon of 4 per cent, and the warrants offer the right to buy Sandoz shares at a price just SFr10 above the share price when the issue was launched – an exercise premium of less than ½ per cent. The shares trade on a dividend yield of around 1.7 per cent.

There are two classes of warrant convertible either into Sandoz bearer shares or participation certificates, which are traded outside of Switzerland.

Participants in the deal said that the terms of the issue were not seen as generous enough to elicit an enthusiastic response from international investors.

In addition, the deal was larger than the $200m to $300m issue the market had been anticipating.

After a promising start the deal fell from an issue price of par to trade at 98 bid by late afternoon, just inside full fees of 2¼ per cent.

● Ontario Hydro's fourth Canadian dollar global bond offering will be a 30-year deal, launched as soon as market conditions are right, the borrowers said. Joint lead managers to the deal will be Goldman Sachs, IBJ International, RBC Dominion and Wood Gundy.

● Union Bank of Switzerland will not open new contracts in its synthetic medium-term Swiss franc bond future. Its decision follows the announcement by the Swiss Options and Financial Futures Exchange (Soffex) that it would offer a medium-term interest rate future contract on October 8.

● Paul Dimmick has been named to head securities trading at Chemical Banking Corp, which is being formed by the merger of Chemical and Manufacturers Hanover, Reuter reports from New York.

Mr Dimmick is currently president of Manufacturers Hanover Securities, the primary dealership of Manufacturers Hanover.

Mr Dimmick's areas of responsibility will include the Treasury, municipal, mortgage- and asset-backed and commercial paper markets, along with brokerage of US securities and exchange-traded futures and options.

Ina Drew, currently a managing director at Chemical, will be responsible for the management of US dollar interest rate sensitivity and liquidity. Her area will include domestic investment portfolios of the bank.

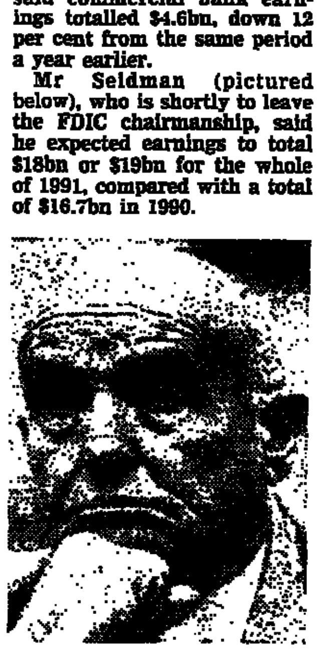
US bank earnings down 12% for quarter

By George Graham in Washington

US BANK earnings dropped in the second quarter, but Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, said he expected a slight improvement in earnings for the full year.

The FDIC, which supervises and insures bank deposits, said commercial bank earnings totalled $4.6bn, down 12 per cent from the same period a year earlier.

Mr Seidman (pictured below), who is shortly to leave the FDIC chairmanship, said he expected earnings to total $18bn or $19bn for the whole of 1991, compared with a total of $16.7bn in 1990.



The FDIC statistics showed that 88 per cent of banks were profitable in the April-June period, and over half reported higher earnings than a year earlier. However, this was offset by continued commercial property loan problems, especially in California and north-east US.

"Unfortunately, the second-quarter figures could be characterised as the banking industry bumping along the bottom of the recession. It doesn't look like it is getting much worse, but it doesn't look like it is getting much better," Mr Seidman said.

He repeated his call for Congress to vote more money to recapitalise the bank insurance fund, although he expected the fund still to have a positive balance by the end of this year.

Investors await stream of issues

By Sara Webb

INVESTORS can expect to be bombarded by a steady stream of international equity issues from Europe and the emerging markets, but fewer issues from the US, in the final quarter of this year.

The recent rise in world stock markets is likely to encourage equity offerings from: currently unlisted companies about to float; listed companies raising new capital; and secondary market trades, where a major shareholder decides to sell all or part of his stake in the company.

A total of $3.043bn was raised through international equity issues in the first quarter, and $7.184bn in the second quarter, according to figures from International Financing Review.

With the summer lull drawing to a close, corporate finance departments expect a steady pick-up in activity. "The outlook is for a very busy final quarter, particularly if we have one or two big deals," says one UK house.

However, levels for the final quarter may not be quite as high as in the first or second, given that fewer US companies are expected to launch international equity issues in the final quarter as did in the first and second quarters of 1991.

"Most of the obvious financing has been done – from now on we only expect to see smaller deals emerging from the US," says one American house.

In Europe, a handful of large international equity issues are expected in the next few months.

The British Telecom offering scheduled for November is

INTERNATIONAL EQUITIES

expected to amount to more than £5bn. Other companies are unlikely make any large offerings at the same time as BT so as to avoid competing for investors' funds. However, corporate finance departments do expect at least a handful of large European issues before and after the BT offering.

Italy, Spain and, to a lesser extent, Portugal are seen as promising sources of international equity business in the next few months. Partial privatisations are expected in France, and possibly Sweden, during 1992.

The main large European companies likely to announce large international equity issues in the next few months are: Banco di Napoli and possibly Credito Italiano, as a result of the planned reorganisation of the Italian banking sector; Repsol, Spain's state-controlled oil producer and refiner, which has already been partially privatised; Total, the French state-controlled oil group which some investment banks believe could raise about £500m; Beazer, the heavily-borrowed construction and building materials group, which plans to float its UK-based housebuilding and contracting businesses.

Among the emerging economies, Mexico is earning a reputation as an interesting market for investors. International offerings have been launched recently by Grupo Carso, a holding company, and Empaques Ponderosa, a forestry company, while Televisa, the television and publishing group, is preparing an estimated $500m equity offering for November or December.

"Mexico has replaced Korea as the number one emerging market," says one US house which expects to participate in forthcoming Mexican deals. "People think it is a hot market, and generally view it as a bit more stable than some Far Eastern markets. It's close to the US and some Mexican companies are seeking listings on the NYSE."

Mexico has the additional advantage over Far Eastern markets such as Korea and Taiwan of allowing direct equity investment.

Until recently, foreign investors have had to invest in Korean and Taiwanese convertible bonds or indirectly through country funds. However, the situation will change soon as Korea has promised to allow limited direct investment in certain equities next year. The announcement has raised interest in the Korean market among UK and European investors recently.

Already, a stream of Korean and Taiwanese deals – mainly convertible bonds and bonds with warrants – is in the pipeline. These include: Far Eastern Textiles, Taiwan's largest textiles group (lead-managed by Salomon Brothers); Pacific Electric Wire and Cable, Taiwan's biggest cable maker (lead-managed by Schroders); as well as KIA motors, Hangyang Chemical, Dong-A Pharmaceuticals, and Ssangyong Cement from Korea.

Japanese banks' debt ratings downgraded

JAPAN Credit Agency has downgraded the long-term debt of the Long-Term Credit Bank of Japan, Tokai Bank, Bank of Ikeda and the Toho Bank, Reuter reports from Tokyo.

Japan Credit said it had downgraded the long-term debt of the Long-Term Credit Bank to Aa plus from Aaa due to its relatively active lending to non-bank financial institutions compared with city banks, and increases in loans to real estate and construction firms in recent years.

The agency also downgraded Tokai Bank's debts to Aa plus from Aaa as the quality of its assets has worsened due to slumping stock and property markets.

The agency downgraded Bank of Ikeda, an Osaka-based regional bank, to A minus from A due to narrowing profit margins and declining profits.

Japan Credit downgraded the long-term debt of Toho Bank, a regional bank based in Fukushima, north-east of Japan, to A plus from Aa minus due to its narrowing profit margins and declining profits.

Long-term debt subject to the downgrades are Long-Term Credit Bank's Y80bn of debt, Tokai's Y80bn debts, Ikeda's Y10bn of debt, and Toho's Y15bn.

● Hong Kong's Mass Transit Railway Corp will seek some US$5bn in loans between now and 1997 to fund construction of a 32km railway from Hong Kong's island to a new airport to be built on Lantau island, Reuter reports.

Securitisation study by American Express

AMERICAN Express may launch its first credit card securitisation issue this year, AP-DJ reports.

Mr Michael P. Monaco, chief financial officer, said the company "will make a decision within a month or so" on its initial test of the credit card securitisation market.

American Express said in July it was looking at securitisation of mortgage receivables on the books of Boston Co, the asset management arm of Shearson Lehman Holdings currently being restructured.

Mr Monaco, who is touring Europe to meet fund managers and other financial market investors, said, however, that American Express had expanded its review of securitisation to include credit card receivables.

He said the company was looking at a minimum $300m to $400m securitisation of card receivables alone and a similar amount for Boston Co's mortgage book.

"We haven't made a decision yet on the exact dollar amount," Mr Monaco said. However, he said it was possible that the company would securitise at least $400m of its credit card and mortgage receivables by the end of the year.

● Iraq is opening its first private bank with an initial capital of 100m dinars, the Iraqi News Agency reports.

The bank, to be known as the Dijla (Tigris) Bank, would offer shares to businessmen and other investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sandoz Overseas Fin.(b)♦†	500	4	100	1998	2¼/1½	UBS Phillips & Drew
EIB(a)†	300	7½	99.734	1996	-	S.G. Warburg Secs.
Rep.of Argentina(c)†	300	11	99.50	1993	1⅜/⅝	J.P. Morgan
Toho Zinc Co.(a)♦†	55	5	100	1995	2¼/1½	Nikko Secs.(Europe)
CANADIAN DOLLARS						
Postipankki(d)‡†	100	(d)	100	1994	-	Citibank AG
LIRE						
Fin.for Danish Inds.(a)†	150bn	12.3	101.8	1996	1⅞/1¼	IMI Bank Lux.
SWISS FRANCS						
Asian Dev.Bk.(a)†	150	6⅞	101¼	2001	-	UBS

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms a) Non-callable. b) Issue consists of two tranches of warrants offering exercise into Sandoz bearer shared or bearer participation certificates at a SF10 premium to yesterday's opening price. c) Coupon payable semi-annually. Put option 7/10/92 at 99¾ %. d) Coupon pays 28.045% minus (2x3-month C$ BA's) payable quarterly in arrears. Minimum coupon is zero. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Sep 10 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Sep 9 Index No.	Fri Sep 6 Index No.	Thu Sep 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (183)	870.85	-0.5	9.59	5.57	12.85	23.87	875.25	879.28	874.81	739.86
2	Building Materials (24)	1120.62	-0.5	8.02	5.54	15.91	32.33	1126.22	1129.78	1124.54	915.82
3	Contracting, Construction (31)	1183.07	-0.2	8.68	6.61	15.43	33.40	1185.47	1189.91	1180.79	1126.76
4	Electricals (11)	2468.28	-1.4	9.69	5.40	13.18	63.95	2503.23	2508.25	2497.10	2088.64
5	Electronics (24)	1796.65	-0.5	9.82	5.07	12.76	48.40	1805.02	1813.29	1820.27	1596.69
6	Engineering-Aerospace (8)	400.31	-1.1	17.07	6.26	7.02	12.11	404.85	416.01	407.53	437.09
7	Engineering-General (45)	498.95	-0.8	10.42	5.15	11.78	13.19	502.87	502.99	499.52	411.31
8	Metals and Metal Forming (8)	445.72	-0.8	14.84	7.92	8.18	17.15	449.44	456.99	458.58	418.85
9	Motors (12)	367.52	-0.6	7.97	6.54	16.02	12.70	369.85	371.25	366.99	303.48
10	Other Industrial Materials (20)	1667.45	-0.1	8.27	4.89	14.17	38.33	1669.40	1671.19	1663.18	1293.12
21	CONSUMER GROUP (188)	1570.47	-1.0	7.30	3.49	16.90	27.37	1585.69	1590.33	1585.67	1186.74
22	Brewers and Distillers (22)	1928.30	-0.6	7.97	3.46	15.30	34.70	1940.11	1947.18	1949.98	1471.70
25	Food Manufacturing (19)	1233.68	-0.2	9.26	4.02	13.35	24.86	1236.46	1234.71	1236.69	1012.06
26	Food Retailing (17)	2708.92	-1.1	7.92	3.07	16.50	44.38	2739.54	2751.63	2746.97	2405.29
27	Health and Household (22)	3679.50	-1.7	5.29	2.36	21.53	35.03	3744.17	3775.45	3758.25	2383.00
29	Hotels and Leisure (23)	1376.03	-0.7	8.26	5.07	14.74	37.19	1385.65	1385.70	1385.28	1205.83
30	Media (26)	1526.44	-0.6	7.22	4.65	18.04	41.56	1534.94	1529.77	1520.09	0.00
31	Packaging, Paper & Printing (18)	770.43	-2.3	7.30	4.27	16.60	16.35	788.41	785.72	780.58	504.78
34	Stores (32)	1028.49	-0.7	7.41	3.62	17.61	17.96	1035.27	1036.43	1030.49	752.27
35	Textiles (9)	643.85	-0.5	7.37	4.83	17.25	14.09	646.93	651.16	627.72	404.02
40	OTHER GROUPS (109)	1288.52	-0.5	9.40	5.02	13.32	32.75	1295.54	1304.40	1298.59	1024.96
41	Business Services (12)	1438.22	-0.3	7.50	4.56	16.50	30.08	1442.79	1443.37	1432.82	0.00
42	Chemicals (21)	1475.98	-0.3	6.90	4.89	17.89	46.15	1480.63	1490.01	1492.91	1044.58
43	Conglomerates (10)	1498.51	-1.4	9.94	7.04	12.15	35.17	1519.31	1526.57	1515.32	1380.58
44	Transport (13)	2363.96	-0.3	7.62	4.54	16.25	62.68	2370.25	2368.04	2359.44	1916.46
45	Electricity (16)	1245.78	-0.2	14.09	5.22	9.10	27.53	1247.78	1255.03	1246.12	0.00
46	Telephone Networks(4)	1545.79	-0.5	9.55	3.93	13.71	28.34	1553.71	1570.63	1565.79	1153.78
47	Water(10)	2494.68	-0.9	16.40	6.17	6.75	118.37	2516.48	2539.85	2528.54	1947.50
48	Miscellaneous (23)	1921.48	-0.5	5.21	5.16	26.57	47.96	1931.34	1947.79	1931.28	1546.22
49	INDUSTRIAL GROUP (480)	1310.40	-0.7	8.42	4.38	14.73	28.74	1320.14	1326.09	1321.00	1031.55
51	Oil & Gas (20)	2451.05	-0.4	10.66	5.62	12.39	78.32	2460.41	2469.89	2479.74	2485.05
59	500 SHARE INDEX (500)	1408.56	-0.7	8.70	4.54	14.39	32.69	1418.40	1424.67	1420.58	1149.80
61	FINANCIAL GROUP (92)	837.28	-0.9	-	5.57	-	27.93	844.77	846.06	844.11	691.39
62	Banks (9)	979.04	-0.9	4.35	5.45	43.10	36.83	988.17	990.15	987.40	740.103
65	Insurance (Life) (7)	1585.09	-1.0	-	5.23	-	42.61	1600.89	1617.92	1616.70	1313.22
66	Insurance (Composite) (6)	665.25	-1.4	-	6.62	-	25.81	674.85	678.82	677.38	581.58
67	Insurance (Brokers) (9)	1130.49	-0.5	7.24	5.97	18.06	35.66	1135.99	1131.11	1132.23	839.39
68	Merchant Banks (7)	452.96	-0.2	-	4.63	-	12.16	453.88	451.78	449.63	371.46
69	Property (36)	955.12	-0.4	5.83	4.88	24.16	22.40	958.49	952.31	950.93	918.08
70	Other Financial (18)	268.31	-1.1	10.69	6.77	11.75	8.67	271.30	268.91	266.91	254.29
71	Investment Trusts (69)	1245.30	-0.7	-	3.47	-	24.33	1254.27	1261.80	1260.00	1058.40
99	ALL-SHARE INDEX (661)	1269.64	-0.7	-	4.64	-	31.08	1278.85	1284.07	1280.53	1039.42

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 9	Sep 6	Sep 5	Sep 4	Sep 3	Year ago
FT-SE 100 SHARE INDEX‡	2630.8	-22.4	2646.1	2630.1	2653.2	2667.4	2663.3	2664.6	2669.0	2144.3

FIXED INTEREST

	PRICE INDICES	Tue Sep 10	Day's change %	Mon Sep 9	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.58	+0.08	122.48	2.07	8.23
2	5-15 years (27)	135.20	+0.09	135.08	2.13	9.52
3	Over 15 years (9)	142.12	+0.25	141.77	0.46	10.60
4	Irredeemables (6)	159.00	+0.37	158.40	2.60	8.83
5	All stocks (70)	133.39	+0.10	133.26	1.98	9.28
	Index-Linked					
6	Up to 5 years (1)	163.81	+0.06	163.72	1.11	2.72
7	Over 5 years (10)	148.65	+0.14	148.44	0.42	3.42
8	All stocks (11)	149.66	+0.13	149.46	0.45	3.40
9	Debs & Loans (58)	113.79	+0.58	113.13	2.39	7.35

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 10	Mon Sep 9	Year ago (approx.)
	British Government				
1	Low	5 years	8.56	8.57	11.01
2	Coupons	15 years	9.44	9.47	11.01
3	(0%-7¾%)	20 years	9.44	9.47	11.01
4	Medium	5 years	9.64	9.66	12.06
5	Coupons	15 years	9.61	9.64	11.50
6	(8%-10¾%)	20 years	9.58	9.62	11.34
7	High	5 years	9.83	9.85	12.15
8	Coupons	15 years	9.72	9.73	11.76
9	(11%-)	20 years	9.65	9.67	11.62
10	Irredeemables	†	9.66	9.69	11.13
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.73	3.74	4.59
12	Inflation rate 5%	Over 5 yrs.	4.20	4.20	4.30
13	Inflation rate 10%	Up to 5 yrs.	2.80	2.81	3.49
14	Inflation rate 10%	Over 5 yrs.	4.01	4.02	4.12
15	Debs &	5 years	11.44	11.46	14.16
16	Loans	15 years	11.16	11.22	13.06
17		25 years	10.97	11.05	12.82

‡Opening index 2646.1; 9 am 2636.3; 10 am 2630.4; 11 am 2637.9; Noon 2638.9; 1 pm 2638.2; 2 pm 2638.2; 2.30 pm 2637.0; 3 pm 2630.6; 4.10 pm 2631.9; (a) 8.30am (b) 3.07pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	3	13
Corporations, Dominion and Foreign Bonds	11	0	9
Industrials	230	332	942
Financial and Properties	61	194	499
Oils	9	34	45
Plantations	0	1	9
Mines	33	30	91
Others	23	70	47
Totals	433	664	1,655

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
25	F.P.	-	39½	29	‡Airbreak Leisure 5p	36		a1.75	1.8	6.5	9.3
†	F.P.	-	110	105	Capital Ventures 1p	110		-	-	-	-
4	F.P.	-	9½	4¼	Culver 1p	5½		-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	250	-3	-	-	-	-
100	F.P.	-	110	105	Gartmore Scotland Inc.	110	+2	M11.6	-	14.1	-
100	F.P.	-	98	85	Do. Capital	97		-	-	-	-
-	F.P.	-	£650	£605	Do. Units	£638		-	-	-	-
146	F.P.	-	163	148	Irish Life Ir10p	162	-1	HQ102%	-	5.6	-
100	F.P.	-	107	101	Kleinwort High Inc. 5p	106		M7.5	-	9.4	-
§290	F.P.	-	323	297	Lowndes Lambert 5p	319	-1	L11.5	1.9	4.8	14.9
100	F.P.	-	105	101	Murray Split Income 10p	104		M10.58	-	13.6	-
100	F.P.	-	100	96	Murray Split Tst. Cap. 10p	96		-	-	-	-
-	F.P.	-	2550	2520	Do. Units	2550		-	-	-	-
††	F.P.	-	47	47	Scottish Value Trust	47		a1.8	0.8	5.1	34.6
50	F.P.	-	54	47	‡Simpsons of Cornhill 5p	47		-	-	-	14.6
1	F.P.	-	½	½	‡Stanelco 1p	½		-	-	-	-
100	F.P.	-	105	100	US Smaller Cos	105		-	-	-	-
100	F.P.	-	36	23	Do. Warrants	36		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100	F.P.	-	100	98½	Cambourne Inds. 10½pc Sd. Deb. 2001	99½	
100	F.P.	-	90	79½	Claybithe 9½pc Cnv. Ln. 2000-01	79½	
100p	F.P.	-	111p	104¼p	Gartmore Scotland Zero Div Prf.	111p	
100p	F.P.	-	109½p	102½p	Kleinwort High Income Zero Div Prf.	109½p	
102½p	F.P.	-	108p	103p	Murray Split Cap Tst Zero Div Prf 10p	108p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
50	Nil	-	16pm	1¼pm	‡Applied Holographics 5p	1¼pm	
10	Nil	-	2½pm	1½pm	Benson Group 2.5p	2½pm	
225	Nil	-	27pm	4pm	Capital & Counties	9pm	+4
31	Nil	-	5pm	3pm	Kleen-E-Ze	3pm	
25	Nil	-	3pm	½pm	Mayflower Corp. 5p	1pm	
20	Nil	-	3pm	2pm	‡Pelican 20p	2pm	
39	Nil	-	13pm	4pm	Try Group 10p	13pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital. cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Sept. 9
● Last Dealings Sept. 20
● Last Declarations Dec. 5
● For settlement Dec. 16

For rate indications see end of London Share Service

Calls in Saatchi & Saatchi, Thames TV, Tuskar Res. and Utd. Scientific. Puts and calls in Burton and Saatchi & Saatchi.

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thames Water (*386)	370	27½	34½	-	5	10½	-
	390	-	-	29	-	-	19
Land Secur (*530)	500	33½	42½	55½	2¼	8½	11
	550	6	14½	28	25	29½	35½
M & S (*282)	280	10½	19	26½	6	10½	12½
	300	3½	9½	16½	18½	21½	23½
Sainsbury (*365)	360	-	-	32½	-	-	12
	386	4	12½	-	20	24½	-
Shell Trans. (*524)	500	27	42½	47½	5½	10½	18½
	550	3½	13½	18	37½	38½	45½
Storehouse (*120)	120	5¼	9	11½	5	9	11½
	130	1¼	4¾	8½	12½	15½	16½
Trafalgar (*230)	220	-	-	27½	-	-	17½
	231	11½	17½	-	10	20½	-
Utd. Biscuits (*395)	390	15½	27½	34½	11½	16½	22
	420	5	13½	20½	31	34	38

Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Nat. (*300)	300	5½	18½	29½	5	11	15½
	330	½	6½	12	29½	30½	33
Amstrad (*53)	50	3½	6¼	8¾	1¼	4	5¾
	60	¼	3	4¾	8	9½	11
Barclays (*470)	460	17½	36	49½	3¼	12½	20
	500	1¼	15½	27½	27½	32½	39½
Blue Circle (*273)	260	12½	21½	31½	2¼	8½	12½
	280	2¼	11	20½	14	18½	22½
British Gas (*271)	260	13½	22½	26	1½	5	8
	280	1¼	10½	15¾	9½	12½	16½
Dixons (*266)	260	10½	22	30	3½	11½	14½
	280	3¼	12½	20	13½	18½	21½

Mar	29	-	47	-	75	-	113	-
Jun	52½	-	75	-	102	-	135	-

FT-SE INDEX (*2632)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Sep	243	194	145	98	55½	24½	7½	2
Oct	259	212	167	123	86½	55½	32½	16½
Nov	274	229	187	147	110	78½	52½	32½
Dec	292	249	207	169	133	102	75½	54½
Jun †	378	-	302	-	235	-	175	-
PUTS								
Sep	1	1½	3	5½	14½	34½	73	121
Oct	5	9	12	21	32½	52½	83½	122
Nov	10½	14½	24	30	44½	64	93	129
Dec	18	23	29	40½	54½	74	100	134
Jun †	49	-	70	-	102	-	140	-

September 10 Total Contracts 27,496
Calls 11,772 Puts 15,724
FT-SE Index Calls 2,397 Puts 6,127
Euro FT-SE Calls 917 Puts 1,911
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

UK COMPANY NEWS

Options running out as bond holders threaten reconstruction

Crisis deepens at Brent Walker

By Robert Peston and Roland Rudd

BRENT WALKER'S directors were last night in a crisis meeting with Standard Chartered, its lead bank, to decide how to respond to the refusal of holders of its convertible bonds to back a reconstruction plan.

Earlier in the day, Mr Ken Scobie, chief executive of the troubled leisure group, had met with Mr Christopher Sporborg, deputy chairman of Hambros Bank, who is advising the dissident bond holders. Mr Sporborg told him that there was no question of enough bondholders backing the reconstruction plan to allow it to go through.

This came as a blow to the company, which had hoped that a statement put out the previous day by the bondholders left some scope for negotiation.

"The reconstruction plan is dead", commented a bondholder. He added that Brent Walker's directors had only two options.

They must either agree to negotiate with Lonrho, the trading group which says it wants to acquire Brent Walker, or they must put the company into receivership.

He said there was a very remote third option. The dissident bondholders, led by Mr Michael Smurfit and his company, Jefferson Smurfit, would accept a revision of the reconstruction plan which gave the bondholders security ahead of a new tranche of preference shares being issued to the banks.

However, the banks said yesterday that they would never agree to this, as a point of principle.

Brent Walker's 47 banks had also been united in their opposition to Lonrho's offer. But some of them broke ranks yesterday and said they would be prepared to consider an offer, if Lonrho was prepared to provide financial support to Brent Walker while it was inspecting the leisure group's assets, a process known as due diligence.

The banks' concern has been that they would continue to fund Brent Walker while Lonrho carried out its due diligence inspection, only to find that Lonrho was not prepared to make an acceptable offer. The result would have been an unnecessary increase in the banks' exposure to Brent Walker.

"Lonrho will have to put up around £20m", said a banker.

Lonrho yesterday said it would be willing to provide the necessary bridging loan. But a Lonrho director laid down a strict condition. "If the bid did not come to anything then we would expect to have our money back first on the basis of whoever puts in the funds last gets them back first."

One banker said last night he did not believe that any money put in by Lonrho should rank ahead of the banks' loans.

Ramar shares suspended

By Richard Gourlay

Shares in Ramar Textiles, a supplier to Marks and Spencer, have been suspended at 14p after Samuel Montagu withdrew its underwriting for a rights issue and share placing for the garments company.

Ramar said its poor financial position had caused production difficulties which meant it was unable to meet orders.

Suspension of the shares came before today's extraordinary general meeting where shareholders would have voted to approve the £3.2m placing and £3.2m rights issue.

Samuel Montagu said yesterday that it was not yet clear how the company's financial position could have changed so rapidly.

On August 16, at the time the rights issue and share placing were announced, Mr Ronald Metzger, chairman and finance director, said Ramar was profitable at the operating level.

What he called "one-off costs" had resulted in a loss before tax of £5.73m for the nine months to end-March this year but "these matters" had been largely resolved, he said.

Samuel Montagu said Ramar directors had been forced to reassess their previous statements ahead of the EGM.

EIS bucks depressed sector trend with advance to £7.1m

By Jane Fuller

EIS GROUP bucked the recessionary trend in the engineering sector by raising both its interim profits and dividend.

Taxable profits increased by nearly 6 per cent to £7.06m (£6.66m) in the first half of 1991.

If the specialist engineer delivers pre-tax profit expectations of £14.5m for the full year, £1m ahead of 1990, it will have achieved 21 years of growth.

EIS also announced yesterday the £3.85m purchase of Flightspares, a distributor of aircraft parts, but said the £18.3m raised in a rights issue in April remained intact, giving it scope for further acquisitions.

Interest received had risen by about £200,000 as a result of the issue.

Turnover of £92.1m (£86.4m) was helped by just over £3m from last year's acquisition of Davall, a maker of gear products.

Mr Howard Wormsley, commercial director, said inflation had been irrelevant. "We decided it would be exceptional to pay any supplier any increase." However, EIS's customers had often taken a similar view.

The group had been fleet of foot in terms of finding new applications and geographic destinations for its products.

Mr Peter Haslehurst, chief executive, said the strongest performance had come from the Flexibox seals and couplings division, where demand had been buoyant from oil refiners.

Aircraft and precision engineering was similar to the first half of last year, while process equipment had shown some vulnerability to the motor and consumer goods sectors.

The group was protected by the geographic spread of its businesses.

Two thirds of turnover lies overseas, with about half of that in continental Europe. There are factories in 11 countries and the group operates in another six.

Earnings per share, adjusted for the 1-for-4 rights issue, were 14.211p (13.954p).

The interim dividend is 3.175p (3.025p).

● COMMENT

One virtue of the UK recession has been to sort the wheat from the chaff, giving a company like EIS a chance to shine. It has proved particularly adept at passing on its disciplines to acquisitions and the cash it has in hand will enable that process to be amply repeated. Flightspares should prove a classic example, for behind its measly 1990-91 pre-tax profit of £230,000 lie sales of more than £11m and operating profit of nearly £1m. April's rights issue price of 265p, at quite a discount to the market price of 327p, looks even cheaper at yesterday's close of 370p, a new high. Bouquets aside, there are two slight dampeners. One is that the extra shares in issue, coming only two years after the last rights issue, will keep earnings per share flat this year and next, even on another forecast rise to £16m in 1992. The other is that EIS is short on recovery potential, although in 1993 a late-cycle upturn in process equipment should coincide with the full benefit of acquisitions picked up in the recession. On a prospective p/e of less than 13, it is at a discount to recovery stocks in engineering and remains a strong hold.

Molins to fight Leucadia takeover

By Bronwen Maddox

MOLINS, the international tobacco and packaging machinery group, yesterday set October 1 as the date for the extraordinary meeting at which it will defend its independence from Leucadia National, the US manufacturing and financial conglomerate which already owns 48.5 per cent of its shares.

The company has urged shareholders to reject Leucadia's resolutions to replace selected board directors.

These would give it a majority on the Molins board if successful.

Molins has also declared a 3 per cent fall in interim pre-tax profits to £6.8m (£7.0m) for the six months to the end of June.

Leucadia has steadily increased its stake since the failure of its offer for Molins in May 1990.

It has now requisitioned the EGM and will propose to remove three non-executive directors of Molins and appoint six of its own nominees.

Molins argues that Leucadia is attempting to secure control without making a full offer to shareholders, "consistent with its corporate history but alien to the generally accepted principle in the United Kingdom".

It points out that the Molins share price of about 357p is above Leucadia's offer of 275p per share in May 1990. Recent share purchases by Leucadia have been at 400p.

Despite a 29 per cent rise in turnover to £75m, Molins managed only a 5 per cent increase in trading profits to £6.9m (£6.6m).

Margins were hit by price competition in both the tobacco machinery rebuild business and North American packaging, and by the failure of SNOW UK security printing to make profits following a deferral of expected orders.

Pension credits fell by £0.2m to £1.7m and interest payments rose to £1.8m (£1.5m).

Earnings fell 5 per cent to 16.4p (17.3p) and the half year dividend is maintained at 3p.

Molins' advisers are Lazard Brothers and Leucadia's are Hambros Bank. 8

Arjo Wiggins Appleton meets City forecasts with £136m

By John Thornhill

ARJO WIGGINS Appleton, the Anglo-French paper group which was formed last year through the merger of Wiggins Teape Appleton and Arjomari-Prioux, yesterday reported "encouraging" progress against a difficult trading background.

Pre-tax profits for the six months to June 30 came to £136m set against a notional comparable figure of £142m.

The profits outcome was in line with expectations but analysts were disappointed that the dividend was only held at 3.3p.

The shares fell 17p to close at 272p.

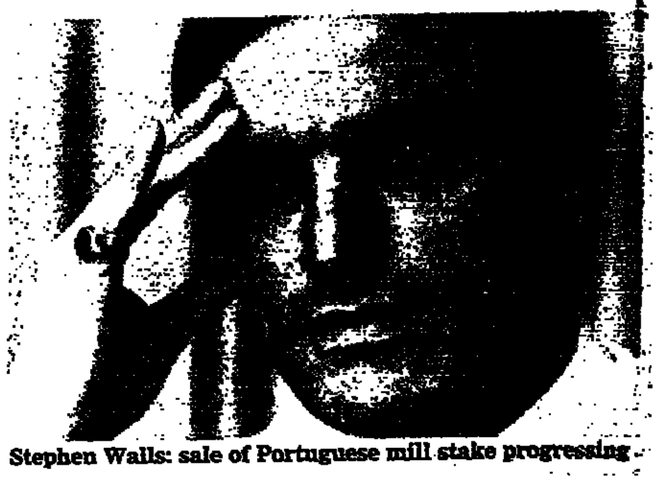
AWA's sales slipped from £1.39m to £1.26m with lower prices disguising a marginal increase in sales volumes. Earnings per share amounted to 10.7p (11.7p).

Mr Stephen Walls, chief executive, said the process of merging the two companies was progressing well – if at a slightly slower pace than he had originally hoped.

"If we look at the benefits of the merger then they certainly exceed those that we anticipated at the time of the deal," he said.

Mr Walls said the results had been adversely affected by negative currency movements and the group's continued exposure to the hard-hit pulp manufacturing sector.

But he added that AWA was at an advanced stage of discussions with Mondi, the South African paper group, regarding the sale of its 42.9 per cent stake in the Portuguese Soporcel pulp mill. A decision is expected before the end of the year.


Stephen Walls: sale of Portuguese mill stake progressing

A previous attempt to sell the stake for £126m to Stora of Sweden fell foul of the Portuguese government on competition grounds.

AWA's paper manufacturing activities saw a strong increase in operating profits from £126.9m to £142.2m as Appleton Papers in the US recorded strong gains. But paper merchanting was badly hit by depressed prices and profits fell from £14.3m to £8.8m.

The company's forestry and pulp operations experienced a sharp reversal in their fortunes as a result of weakening prices and fell from a profit of £6.8m into a £4.9m loss.

Mr Walls said he remained cautious about the prospects in the second half with recovery being delayed by the continuing over-capacity in some sectors of the paper market.

But he added that demand in the US had begun to pick up and that there were "glimmers" in the UK. "There are the first signs of improvement in activity levels but it is very fragile," he said.

France remained an uncertain market and Germany, which had remained extremely buoyant in the first six months, was beginning to soften, he said.

See Lex

Shortfall in orders cuts P-E by 33% to £1.8m in first half

By Bronwen Maddox

P-E International, the European management and computer consultancy, showed a 33 per cent slump in pre-tax profits for the first half of 1991, from £2.8m to £1.8m, as continuing UK recession led to a shortfall in second quarter orders while staff costs rose.

Turnover rose by 4 per cent to £33.6m helped by a 15 per cent rise in overseas fees, particularly in systems and computer services, and by a brief recovery in UK fees after the Gulf war before the second quarter's disappointment.

In the UK the systems group performed well but management consultancy, information technology and computer services were hit in the second quarter as their customers cut costs.

Mr Hugh Lang, chairman, said "project start dates were postponed and too few enquiries were converted into firm orders."

Total costs rose 7 per cent, partly because more fee-earning staff were needed to secure business.

Earnings per share fell 35 per cent on a 2 per cent increase in shares from 1990's acquisition of SNJB. The interim dividend is maintained at 2p.

The £9.8m purchase of Handley-Walker in August made the group one of the UK's largest independent management consultancies.

● COMMENT

The spectacle of a management consultancy allowing staff costs to rise in a recession makes for easy comedy. Yet P-E has little choice but to retain key, expensive staff in order to get a share of the scanty available business. The pause in acquisitions while Handley-Walker is digested will give a chance to judge the strategy and to see whether other small acquisitions can match Westvries' success. A full year pre-tax figure of £4.35m (£4.2m) and earnings of 14.4p (15p) scarcely looks demanding given Handley-Walker's inclusion. But nor does it leave room for the kind of nasty surprises that other acquisitive "people businesses" have delivered such as earnouts that can be satisfied only if the whole group does well. A prospective p/e of 12.4 reflects the group's strong market position but will be vulnerable to further disappointment.

Better trend at Singer & Friedlander

Singer & Friedlander, the merchant banking and property group, yesterday reported a dip in interim pre-tax profits but a recovery from last year's poor second half year when bad debts hit its banking business.

Profits emerged at £8.11m against £8.72m in last year's first half and £4.85m in the second half. An unchanged 1p interim dividend is declared from earnings of 2.59p (2.64p).

Banking profits slipped to £4.28m (£5.02m) reflecting "quiet conditions in most of the areas in which the bank operates," the group said.

Property made a flat contribution of £1.31m with the portfolio virtually fully let. The group resumed buying property earlier this year after a near three-year gap while the market peaked then slumped.

Interest and investment income rose slightly to £2.28m (£2.15m) with higher earnings from associated companies more than offsetting declining interest on cash balances.

CLF Holdings buy-back deal in £39m restructure

By Norma Cohen, Investments Correspondent

MR TONY Barnes, former chairman of CLF Holdings, has agreed to buy back the troubled company from lenders to CLF Yeoman for a nominal sum.

He sold his company to Shannon-based Yeoman Holdings, a large-ticket leasing operation, in 1988 for £93m.

CLF Yeoman, said yesterday that its banks had agreed to restructure £39m in debts in exchange for a deal to spin off the company's troubled CLF subsidiary.

All debts were incurred in connection with losses at the CLF subsidiary.

Yeoman had earlier said that it had been unable to find a buyer for CLF, that it believed the subsidiary had no value, and that it had written its valuation down to zero. CLF is a small ticket leasing company with operations in the UK and France.

Trading in the company's shares were halted on September 6 after the company said that talks with its 37 bankers had broken down.

Trading will remain suspended until shareholders have received details of the restructuring arrangement, expected in mid-October.

Meanwhile, CLF Yeoman said it was pursuing its claim against SG Warburg and solicitors Linklaters and Payne. It said that they should have known about financial difficulties in a subsidiary of CLF which became evident shortly after the acquisition was completed.

CLF Yeoman said it was now seeking £67m in damages from Warburg, the difference between CLF's £93m purchase price and the unit's current value.

The company said it was optimistic about prospects for its legal action but did not expect a hearing for at least 18 months.

Acquisitions lift Bodycote to £5.52m

By Peggy Hollinger

Acquisitions and the absence of interest charges helped push Bodycote International, the metal technology group with holdings in packaging and textiles, ahead by almost 10 per cent for the six months to June 30.

Pre-tax profits rose from £5.03m to £5.52m on turnover down 16 per cent at £32.6m. The group received interest of £43,000, against charges of £535,000 last time.

"All our mainstream businesses performed well," said Mr Joe Dwek, chairman. Stockpack, the packaging arm, was the strongest business with a 25 to 30 per cent rise.

Despite its dependence on the aerospace industry, metal technology continued to show strong growth, contributing about 60 per cent of pre-tax profits, against 50 per cent.

Earnings rose to 13.4p (12.7p) and the interim dividend is lifted to 3.5p (3.25p).

Templeton Galbraith eases by 5% to $33.6m

By Philip Coggan, Personal Finance Editor

TEMPLETON, Galbraith & Hansberger, the Bahamas-based fund management group, yesterday announced a 40 per cent increase in its interim dividend despite a 5 per cent fall in first half pre-tax profits.

The company said that the dividend increase reflected its strong cash position, the recent performance of some of its funds and confidence about the future of the world economy. The shares rose 3p to 230p.

Templeton's statement had a characteristically political message, citing the decline of communism as "one of the major turning points in world history. The two largest worries of the past 40 years have largely evaporated. One was the danger of nuclear war. The other was the announced determination of the communists to dominate the earth."

Templeton believes that the recent changes will lead to more rapid increases in prosperity and a greater willingness to invest across international boundaries.

In the six months to June 30, Templeton's operating profits dropped by 15 per cent to $27.4m (£16.2m) compared with $32.1m in the first half of 1990.

However, a substantial rise in income from its liquid assets to $6.67m ($3.63m) helped restrict the fall in pre-tax profits at $33.6m ($35.3m).

Funds under management at June 30 were $17.5bn, up from $15.9bn at the end of 1990. This increase was due to the rise in world stock markets. There was a net loss of $100m to redemptions. First half turnover was $86.1m, down from $104.2m, because of a decline in commission income derived from initial charges on fund sales.

Templeton said that administrative expenses increased by 24 per cent over the first half of 1990 because of the purchase of Dais, a US quantitative research group and the conversion of Time Assurance into Templeton Life Assurance.

Earnings per share were 18.6 cents (19.8 cents) and the interim dividends is 7 cents (5 cents).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adscene	fin	1.25	Oct 21	2	2	4
Arjo Wiggins	int	3.3♦	Nov 9	3.3	-	8.35
Beattie(James)	int	1.4	Nov 1	1.4	-	5.5
Beezer	fin	1.3	Jan 2	5.05	4	7.5
Bodycote Intl	int	3.5†	Dec 31	3.25	-	8.75
Centors	fin	3	Nov 7	3	4	7
Delta	int	4.2	Dec 2	4.2	-	14
EIS	int	3.175†	Dec 31	3.025	-	11.4
Ferrum	int	1.1†	Jan 6	1	-	2.25
Gaskell	int	3	Oct 14	3	-	8.5
Haggas (J)	int	3	Nov 25	3	-	6
Herring Son/Daw	int	3.25	Oct 28	3	-	6.5
Home Counties	int	2.75	Oct 24	2.75	-	8.25
Lambert Howarth	int	4	Oct 24	3.6	-	11.25
Macro4	fin	7.175	Nov 11	6.2	11	8.9
Merchants Trust	int	2.55	Nov 14	2.25	-	8
Micklegate	fin	0.5	Apr 6	1.5	0.5	1.5
Molins	int	3	Oct 14	3	-	9
Nu-Swift	int	10	Sep 27	8	-	18
Osprey Comms	fin	1.35	Oct 22	3	2.7	4.35
Page (Michael)	int	0.8	Nov 14	0.8	-	1.8
Paramebe	int	0.55	Oct 11	0.55	-	1.55
PCT §	int	2.5	Nov 15	2.4	-	6.4
P-E Intl	int	2†	Nov 1	2	-	6.2
Pittard Garnar	int	nil	-	0.25	-	0.25
RPS §	int	1.4	Oct 25	1.4	-	3.2
Scot Heritable	int	nil	-	1.5	-	1.5
Severfid-Reeve §	int	1	Oct 29	1	-	3
Singer/Friedl'er	int	1	Nov 1	1	-	2.5
Templeton Galb'h	int	7♦	Oct 25	5	-	15
TLS Range §	int	nil	-	1	-	1.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Carries scrip option. ♦US cents. ‡Second interim.

Savoy cites Gulf war and recession for £0.67m loss

By David Churchill, Leisure Industries Correspondent

THE SAVOY Hotel yesterday announced a £674,000 loss for the first half of 1991, blaming the Gulf war and the effects of the recession on hotel occupancy.

The loss compared with a pre-tax profit of £5.34m at the same stage last year.

The company said that the impact of the war and the economic downturn was reflected in a 19 per cent fall in group turnover, from £45.6m to £36.9m.

The group comprises the Berkeley, Claridges, Connaught, and Savoy Hotels in London as well as the Lygon Arms in Broadway in the Cotswolds, and the Lancaster in Paris. It also owns several London restaurants and the Forest Mere health resort in Hampshire.

Savoy's ordinary shares are 69 per cent-owned by the Forte hotel chain and consolidated in its results, although it only has 42 per cent of the company's voting shares.

After several years of bitter rivalry between the two companies, an agreement reached two years ago means that Forte has two seats on the Savoy board in return for agreeing not to buy any more Savoy voting shares until the end of 1995.

Giles Shepherd: sees only a glimmer of confidence

Mr Giles Shepherd, Savoy's managing director, said yesterday that the first three months of the year "were some of the worst encountered since the beginning of the last war." He said that at the operating level the group had been in loss in the first quarter, although it had returned to profit in the following three months.

Occupancy levels in the Savoy hotel alone fell from an average 73 per cent in the first half last year to just under 60 per cent this year.

Mr Shepherd said that costs throughout the group were reduced by more than £400,000 a month during the first half, with staff levels down by 10 per cent compared with the first half of last year.

Although trading picked up in June, Mr Shepherd said that hotel occupancy in July and August was disappointing. This was in spite of a 15 per cent fall in hotel rates when expressed in dollar terms in comparison with the beginning of the year.

He saw only a "glimmer of confidence beginning to appear" and said that the tendency of executives to book hotel rooms late meant that it was difficult to gauge the level of forward bookings.

J Haggas recovers and sees end of recession

By Nigel Clark

THE END of the recession has arrived according to Mr Brian Haggas, chairman of John Haggas, the West Yorkshire-based worsted spinner.

The spinning division was now working at full capacity and he expected a further improvement in conditions.

His comments accompanied a recovery in pre-tax profits in the second half of the year to June 30 resulting in year-end figures of £1.82m (£733,000).

The shares improved 12p to 70p.

He added that the recession was following the usual path. "Textiles went into recession two years before everyone else when all my mates were chortling. Now we are the first out while everyone else is still complaining."

The first half of the year had seen short-time working in the spinning division and a 27 per cent fall in interim profits.

Full-time seven day working and night production was restarted in the middle of March and conditions had gradually improved since.

"So far as this company is concerned the recession is over", he said.

Mr Haggas expected 1992 to be very busy. Many of the new orders were to be used for military uniforms both at home and overseas.

Improvements were also expected in the fabric and retail divisions. However, in the retail division it was a matter of containing losses until the climate improved.

In the year under review the loss in retail was cut from £1.22m to £349,000. Manufacturing showed an increase in profits from £1.95m to £2.07m.

Turnover fell to £33.4m (£36.5m). Earnings per share were 5.6p (1.93p). Following the passed interim dividend a final of 3p is recommended, compared with the total of 2p last time.

Cost-cutting exercise only limits damage caused by recession

Delta profits dive by 28% to £33m

By Jane Fuller

A COST-cutting exercise that included reducing the workforce by a fifth since 1989 could only limit the damage inflicted by the recession on Delta, the electrical cables and engineering group.

Taxable profit fell by 28 per cent to £33.1m (£46.1m) in the half year to June 29 after declines in volume of up to 40 per cent in parts of the business.

As forewarned at the annual meeting in April, the result was worse than the second half of last year when profits amounted to some £41m.

Turnover slipped by more than 6 per cent to £389.6m (£415.5m).

The share price fell 13p to 412p yesterday.

A lower tax rate and smaller minority charge limited the fall in earnings per share to 24 per cent - 14.3p compared with 18.9p.

The interim dividend is held at 4.2p.

Mr Robert Easton, chief executive, said the UK continued to "bump along the bottom". Signs of returning confidence had yet to translate into orders.

There was more activity in the US, where the group intended to build up its presence. Another acquisition consideration was to increase the emphasis on protection against fire and other hazards in what was set to be "a decade of high safety".

The group was well placed to make an acquisition with gearing remaining at about the year-end level of 14 per cent, on net debt of £41m.

Mr Easton said there had been 24 months of hard work to fight the domestic recession, including shedding 3,000 jobs and rationalising production.

In engineering, for instance, five sites had been condensed into two and profit had held up comparatively well at £9.5m (£10.6m), with the help of a strong performance in Germany.

But the main damage came in cables, where profit fell nearly 36 per cent to £10.7m (£16.6m).

Mr Easton said volumes were down and prices under pressure in power and general cabling, with the newly privatised electricity companies destocking and negotiating aggressively on price.

The reorganisation of UK production had reduced the number of sites by more than a third, although capacity remained the same.

Greater volumes were needed to realise the potential operating efficiency.

Volume decline stemming from destocking by UK customers also hit the circuit protection division, where profit fell to £5.8m (£8.9m).

Colin Beere

Robert Easton: UK continued to bump along the bottom

Industrial services felt the impact of recession in Australia and Africa. Most of the near-£2m knocked off profits by exchange rate movements was incurred in this division.

See Lex

Nu-Swift falls to £10.7m as recession hits

Nu-Swift yesterday announced pre-tax profits down from £17m to £10.7m in the first half of 1991, as the recession hit the group's office cleaning and fire protection businesses in the UK and US.

Turnover declined from £187.5m to £165.7m.

The interim dividend is raised to 10p (9p) despite a fall in earnings to 15.43p (21.73p) per share. The group is 59 per cent owned by Mr Jacques Murray, its chairman, and 20.4 per cent by ADT, Mr Michael Ashcroft's Bermuda registered security and auction company.

Profits in the UK were £4.07m (£2.81m), while profits of National Cleaning, a US business, dropped to £1.57m (£5.04m). US trading conditions remained difficult, particularly in New York City, but a reorganisation earlier this year should show benefits in the second half, Nu-Swift said.

Interest earned was £7.01m (£6.18m) thanks to cash remaining from the £184m received in February 1990, for the sale of Compagnie Centrale Sicli, the French fire protection business.

The company identified property as a new core business and began investing last year in Las Vegas and London.

Pittard back in the black

By Peggy Hollinger

PITTARD GARNAR, the leather company, has returned to the black with pre-tax profits of £1.04m, against losses of £1.87m, for the six months to June 30.

"Although trading conditions have been far from easy, we have made progress in our drive to return to the group's financial well-being," said Mr David Macdonald, chairman.

Turnover fell by 30 per cent to £50.4m, due to weak demand, a more selective policy on accepting customers, and a concentration on higher margin, lower volume products.

The clothing and chamois division, which last year reported operating losses of about £2m, produced a small operating profit although he added that "the clothing business is still far from buoyant".

This division, which accounts for about 30 to 35 per cent of group turnover, had been hardest hit by the collapse in sheepskin prices from £6.90 to £2.50 apiece last year.

Several businesses had been restructured and staffing reduced by 300 to 1,600.

Earnings per share were 2.5p compared to a loss of 6.8p. No dividend is recommended on ordinary shares, although payment on preference shares will be maintained.

Crest Nicholson renegotiates £205m loan

By Andrew Taylor, Construction Correspondent

CREST Nicholson, the loss-making housebuilder and commercial property developer, has renegotiated a £205m multi-option loan facility after warning its bankers that it would breach interest cover covenants for the year to end-October.

Mr John Callcutt, chief executive of the group which earlier this year announced pre-tax losses of £33.9m for the six months to end-March, said he was very pleased with the response of the 17 banks.

The company parted company with Mr Roger Lewis, its former chief executive, at the beginning of July after announcing it would not be paying an interim dividend.

The 17 banks, led by National Westminster, have agreed to waive interest cover arrangements this year and have negotiated a lower level of cover for 1991-92.

In return the interest premium on the loan package has been increased, "but not onerously," said Mr Callcutt. The multi-option facility was originally negotiated during the mid-1980s.

Group borrowings peaked at £115m this summer representing gearing of more than 80 per cent. Mr Callcutt said yesterday that Crest was on target to reduce borrowings to below £100m by the end of October.

Polly administrators plan Sansui link

By David Barchard

THE CREDITORS' committee of Polly Peck International, the collapsed fruit and electronics conglomerate, were told yesterday of plans by the administrators to link Sansui Group, its Far Eastern electronics group, with two other electronics companies.

Mr Michael Jordan of Coopers & Lybrand Deloitte, the senior administrator, flew back to London for the day to attend the meeting with the creditors' committee.

Members were told that despite growing financial problems at Sansui, things are generally looking positive for the planned reconstruction of the group.

Sansui is in urgent need of cash as it looks set to incur a pre-tax loss of Y6.4bn (£28m) this year, reversing earlier expectations that the group would move back into the black this year after half a decade of incurring losses.

Goldstar of Korea, and Mr Alf Gooding, the Welsh electronics entrepreneur, and Grand Holdings of Hong Kong been suggested as possible joint venture partners for Sansui.

Creditors were also told that plans for a partial floating of Del Monte Fresh Fruits on the New York Stock Exchange were proceeding well.

Tomorrow Mr Asil Nadir, Polly Peck chairman, makes his next appearance at Bow Street Magistrates court.

His lawyers are pressing for the officials from the Serious Fraud Office to visit northern Cyprus to inspect company records which they say will totally exonerate Mr Nadir of charges of theft from company funds. They say that the records have already been authenticated by forensic authorities recognised by the SFO.

Disposals and closures cut SHT losses

By Peggy Hollinger

SCOTTISH Heritable Trust, the mini-conglomerate, yesterday announced a reduction in interim losses, following the sale or closure of several loss-making businesses.

Pre-tax losses for the six months to June 30 fell from £3.88m to £3.15m on turnover down 29 per cent at £38.4m. Losses per share rose from 7.3p to 9.2p and the interim dividend is omitted (1.5p).

An extraordinary charge of £505,000 was due to debt refinancing costs and provisions for losses on asset disposals.

The group is in negotiations with bankers on an extension of a standstill agreement which expired on July 31. Net debt at the year-end was £66.4m. The proceeds of the asset sales, which include John Letters, the golf club manufacturer, and property in Scotland and London, have been used to reduce debt. During the six months, the group closed OCM Canada, the oriental carpet group, and Nippasox, the textile manufacturer.

Mr John Whitehead, company secretary, said the group hoped to shed its entire property portfolio by the end of the year. Further non-residential property sales, amounting to about £6.5m had already been agreed.

The group has also withdrawn from UK housebuilding and on July 30 agreed the sale of Hearthstead Homes for £8.6m.

Standard Fireworks was the strongest business during the six months, with an order book which exceeded that of the same time last year. Standard made £3.1m profits for the whole of last year.

NEWS DIGEST

Macro 4 up 4% and optimistic

MACRO 4, the independent computer software company, lifted taxable profits from £7.35m to £7.65m in the year to June 30.

Mr Tom Kelly, chairman, said there had been no easing of the difficult trading conditions he had reported at the interim stage. And looking ahead, he said the group remained exposed to overseas currencies, particularly the dollar.

However, the continental European subsidiaries were anticipating continued growth, cash resources were strong and growing and he remained optimistic of more than a nominal profits increase during the coming year. The company's marketing philosophy remained one of renting rather than selling its products.

Earnings per share emerged at 23p (20.6p). A final dividend of 7.175p is recommended, lifting the total to 11p (8.9p).

Turnover improved by 22 per cent to £18m (£14.8m). The subsidiaries and agents contributed 78 per cent (76 per cent) of sales, reflecting, Mr Kelly said, increasing commitment to overseas markets. All subsidiaries continued to be cash generative and cash sufficient, he added.

Sturge to manage Lloyd's syndicate

Sturge Holdings, the biggest Lloyd's managing and members agency group, is to manage Leadenhall syndicate 254, a medium-sized motor insurance syndicate with stamp capacity - permitted premium income - of £25.8m in 1991.

Leadenhall was formerly managed by Charman Underwriting Agency which will now concentrate exclusively on its marine syndicates.

James Beattie declines 22%

James Beattie, Wolverhampton-based department store group, suffered a 22 per cent fall in pre-tax profits from £3.02m to £2.37m for the six months to July 31.

The company blamed the recession. It added that it was not possible to judge the timing of any upturn and hopes of an improvement in the second half were almost certain to be frustrated.

Turnover was ahead at £28.3m (£27.8m) but that was at the expense of margins and trading profit fell to £990,000 (£1.49m). Net investment income and interest fell to £1.38m (£1.54m).

Earnings were 3.4p, against a restated 4.29p. The interim dividend is held at 1.4p.

Ferrum concerned over Dutch side

Ferrum Holdings, the engineering and oilfield services group, lifted taxable profits by 34 per cent over the six months to June 30.

The advance - from £1.06m to £1.42m - came on turnover ahead to £24m (£22.1m) and according to Mr Simon Miller, chief executive, represented "a continuing advance in spite of the current economic climate."

However, Mr Gordon Dunlop, who is to retire as chairman at the year-end, warned that the Dutch economy showed signs of slowing, a trend that could affect the group's structures division.

The interim dividend is raised to 1.1p (1p), payable from earnings of 3.82p (3.34p).

Herring Son & Daw just ahead to £1.8m

Taxable profits of Herring Son & Daw Holdings, commercial property consultant, edged ahead from £1.79m to £1.81m in the six months ended July 31.

The company also announced two acquisitions yesterday. Leay Maxwell, Manchester, and the Bristol office of Keith Cardale Groves, are being acquired for a total consideration not exceeding £250,000, of which £100,000 in shares is being paid for Leay Maxwell.

Mr Nick Owen, the chairman, said the interim result had been helped by a modest improvement in investment agency activity. Additionally, fees from the settlement of business rate appeals were beginning to come in a little earlier than expected.

The dividend is stepped up to 3.25p (3p), payable from earnings of 9.74p (9.71p) per share. Turnover was lower at £6.57m (£6.66m).

Sharp decline to £636,000 at HCN

Reduced advertising revenues forced Home Counties Newspapers Holdings, the printer and publisher, to report a sharp cut in pre-tax profit for the half year to end-June.

The outcome - down from £2.24m to £636,000 - was struck after a £222,000 exceptional charge for redundancy costs. Turnover was up from £9.05m to £10.8m.

The interim dividend is maintained at 2.75p, payable from earnings per share down from 14.36p to 4.25p.

The company warned that "any material improvement in the overall trading position must be dependent on the national economy and a return of confidence in advertising".

Difficult trading at Lambert Howarth

Trading at Lambert Howarth remaines "difficult and competitive" according to Mr Roger Rowland, chairman of the Lancashire-based footwear group.

Despite an advance in taxable profits, from £1.33m to £1.49m, "there is no sign yet of a retail upturn", he said. The company had to absorb a proportion of the rise in VAT rates.

The improvement came on turnover of £22.9m (£20.7m). After tax at an estimated 29 per cent (30 per cent) earnings improved to 18.6p, against 16.4p last time and the interim dividend is lifted to 4p (3.6p).

Net assets ahead at Merchants Trust

The Merchants Trust, managed by Kleinwort Benson, reported a net asset value of 231.7p per share at July 31. The figure compared with 215.7p a year earlier and 191.3p at the trust's year-end in January.

Attributable revenue of this Kleinwort Benson-managed investment trust for the six months period amounted to £6.18m, up from £5.83m last time, for earnings of 6.04p (5.7p) per share.

A second interim dividend of 2.5p (2.25p) is declared. The directors intend to pay a total of 10p for the current year.

Michael Page down 25% to £2.09m

Michael Page Group, the recruitment agency, reported a 25 per cent decline in pre-tax profits in the six months to end-June.

The fall, from £2.77m to £2.09m, came from turnover down from £29.5m to £21.2m.

Lord Rippon of Hexham, chairman, said the results reflected the continuing difficult economic conditions for service industries and for employment businesses in particular.

Earnings per share came out at 2.13p (2.78p) but the interim dividend is held at 0.6p.

Lord Rippon added that while no significant increase in trading levels was envisaged in the short term, the group remained committed to the development of its European network.

Parambe tumbles sharply to £1,475

A severe drop in pre-tax profits from £60,387 to £1,475 was announced by Parambe, a dealer in investments and works of art, for the half year to June 30. The result was struck after a rise from £29,854 to £55,840 in interest charges.

Earnings per share fell to 0.02p (0.66p) but the interim dividend is held at 0.55p.

Turnover declined by 25 per cent to £103,815 (£138,416). Gross investment income was barely down at £72,721 (£75,891) but dealing income on works of art dropped to £28,574 (£55,841) and on securities to £2,520 (£6,684).

The company said that the second half depended on the ability of Ashlar, its art dealing subsidiary, to increase sales.

Improved margins as PCT edges ahead

PCT Group, the USM-traded company which markets and hires power tools and lifting and welding equipment, said that marginally increased interim profits reflected improved margins and cost controls.

The improvement for the first half of 1991, from £553,239 to £560,181, was achieved on turnover of £9.39m (£9.94m). Following an increased tax charge, earnings per share worked through at 8p (8.3p). The interim dividend goes up to 2.5p (2.4p).

Fairbriar shares suspended

Shares of Fairbriar, the Epsom-based housebuilder and developer, were suspended at 8p yesterday: "pending clarification of the company's financial position." The shares were suspended at the company's request.

Mr Remo Dipre, Fairbriar's chairman, announced in February that the group had made a pre-tax loss of £3.21m during the six months to September 30 1990.

He then warned that the company might have to make provisions against its property assets which could lead to an increase in borrowings.

Redundancy costs add to RPS fall

RPS, the USM-quoted environmental consultancy, reported pre-tax profits of £302,000 for the six months to June 30.

The outcome, struck after exceptional redundancy costs of £121,000, compared with £907,000 at the same stage of 1990 and came on turnover of £4.61m (£4.78m).

Mr Brian Clouston, chairman, said he expected margins to improve in the second half after cutting the cost base and developing more efficient ways of servicing clients.

A maintained interim dividend of 1.4p is payable from earnings of 1.64p (5.03p).

Severfield-Reeve drops to £505,000

Profits before tax at Severfield-Reeve, the USM-traded structural steel-maker, fell from £1.31m to £505,000 in the six months to end-June. Turnover dropped from £11.6m to £8.84m.

Margins fell from 12.6 per cent to 7.7 per cent, reflecting "aggressive competition" in the industry.

Earnings per share were down from 8.2p to 3.24p but the dividend is maintained at 1p.

Commenting on the outlook, Mr John Reeve, chairman, said "bearing in mind the current recession affecting the construction industry, we have started the second half of the year with a good order book".

Robinson Brothers shows 85% advance

Partly because of an improvement in the sterling-dollar exchange rate, Robinson Brothers (Ryders Green), maker of organic chemicals, achieved an 85 per cent advance in pre-tax profits, in the half year to June 29.

On turnover up from £10.4m to £12.1m the taxable result came out at £758,000 (£410,000). Earnings were 25p (10p) per £1 share. The company's shares are not quoted.

TLS Range moves £267,000 into red

TLS Range, the USM-quoted vehicle rental group, swung into the red in the six months to June 30.

An interim pre-tax loss of £267,000 compared with a profit of £453,000 last time and with a profit of £807,000 at the December year-end.

Turnover improved from £3.81m to £4.67m; profits at the operating level amounted to £469,000 (£895,000). However, a surge in interest charges from £442,000 to £736,000 pushed the group into loss.

Mr Richard Birley, chairman, said that trading in the first half had been difficult as customers had suffered from the economic recession. However, the second half had started well, giving hope that the recession may be ending.

Losses per share came out at 1.58p (2.85p earnings) and there is no interim dividend (1p).

Cantors falls 37% and sees no upturn

Cantors, the retail furniture group, reported a 37 per cent decline in taxable profits in the year to April 27.

The fall, from £3.99m to £2.53m, came on a 15 per cent improvement in turnover from £49.6m to £57.03m.

Mr Harold Cantor, chairman, said that although the company made record first half profits it had not been immune from the chancellor's stated intention of restricting consumer demand.

In addition, bad weather, the Gulf war and the increase in the VAT rate combined to make the second half extremely difficult.

The recommended final dividend is held at 3p for a maintained total for the year of 4p. Earnings were 16.92p (17.9p).

Recession catches up with Gaskell

Exposure to the depressed construction and motor industries weighed heavily upon Gaskell, the Lancashire-based carpets group.

Taxable profits for the six months to June 28 slumped to just £55,000 against £1.06m last time. Turnover declined to £16.8m (£20.8m) reflecting lower sales of contract carpet tiles and automotive upholstery products.

Nevertheless, the interim dividend is held at 3p, payable from earnings of 0.6p (13.9p) per share.

Osprey falls sharply to £869,000

Osprey Communications saw pre-tax profits for the year ended May 31 drop from £1.56m to £869,000, on turnover up from £30.9m to £31.2m.

Much of the decrease was due to clients delaying expenditure.

A recommended final dividend of 1.35p (3p) makes a total of 2.7p (4.35p). Earnings per share fell to 4.67p (8.38p).

"The pace of recovery from the recession remains uncertain," said Mr John French, chairman. "But we are encouraged by the fact that unaudited management accounts for the first two months of the current year show the best profits ever achieved during this period."

Adscene down 37% but recovery seen

The Adscene Group, printer and publisher of provincial newspapers, reported a 37 per cent fall in pre-tax profits from £1.12m to £705,000 in the year to May 31.

Publishing operating profits were down by 22 per cent while there was a 19 per cent fall in printing.

Mr Harry Lambert, chairman and chief executive, said that on the basis of the first quarter's figures the present year should be considerably better than last.

Turnover was £17m (£20.4m) with earnings per share coming out at 3.6p (4.4p).

A recommended final dividend of 1.25p makes 2p (4p) for the year.

Provisions put Micklegate in red

Provisions against the fall in value of some of its properties left Micklegate Group with taxable losses of £806,000 for the year to end-April, compared with profits of £2.31m.

Net tangible assets at the USM-quoted property group fell from 22.1p to 18.6p per share.

On turnover of £7.74m (£6.25m) there was a profit of £63,000 before the £869,000 of exceptional charges.

The group was continuing its policy of keeping completed and let developments rather than selling them at discounted prices.

Losses per share came out at 2.79p (earnings 8.43p). The proposed dividend is cut to 0.5p (1.5p).

£20m expansion for Land Securities

Land Securities, the UK's largest property company, has bought the Coppergate Centre, York's main shopping centre, from Wimpey Property Holdings for £20m.

The 160,000 sq ft retail development, which has annual rental income of £1.65m, has national and local retailers, including Dolcis, Marks and Spencer, Fenwicks, Principles and the Body Shop. It also incorporates the Jorvik Viking museum, which has 1m visitors a year.

Wimpey said that the sale reflected its intention of trading actively in property, while reducing its long-term investment commitments.

COMMODITIES AND AGRICULTURE

Nickel producers consider following Inco output cut

By Bernard Simon in Toronto

SOME LEADING nickel producers are considering following Inco's example of a production cut in an effort to head off a further decline in metal prices.

Inco, the world's second-biggest producer after Norilsk in the Soviet Union, is trimming its output of refined nickel by 10m lbs for the remainder of 1991 by halting production at some of its higher-cost facilities at Sudbury, Ontario. The company's output for 1991 was expected to be slightly higher than last year's 389m lbs.

Its main rival, Falconbridge, is among others rumoured to be examining further production cuts. It recently announced a cut of more than 10 per cent at its Kristiansand refinery in Norway. Falconbridge officials were not available for comment yesterday.

Inco is concerned that growing supplies, especially from the Soviet Union, may repeat the unsettling experience of early 1990, when prices fell as low as US$2.65 per lb. Three-month metal on the London Metal Exchange closed yesterday up $27.50 at $7,822.50 a tonne, equivalent to $3.55 a lb.

In addition, producers appear to have an eye on long-term contract negotiations which are due to start next month. The contracts, typically for three years in Inco's case, contain both floor and ceiling prices, and a weak market now might give customers extra leverage to demand a drop in contract prices from their present range of $2.50-$4.50 per lb.

The nickel consumption picture is mixed. Mr Victor Lazarovici, analyst at BBN James Capel in Toronto, said yesterday that North American stainless steel producers have seen little recovery in demand, and have become cautious in their purchasing commitments.

Inco however, is confident that strong demand in Japan and other parts of the Far East will offset stagnant markets in North America and Europe, and that western demand will be at least as strong as 1990's 1.5bn lbs. Lower consumption in the Soviet Union and eastern Europe may be contributing however, to rising Soviet supplies.

An Inco official said yesterday that the production cutbacks will have no effect on its expansion plans at Thompson, Manitoba, which are proceeding on schedule. However, a hiring freeze has been reinstated and all overtime work has been cancelled.

In the Ontario division, production has been suspended at the Creighton No. 3 mine which was brought out of mothballs last October to meet strong demand. Mining of several small deposits adjacent to the main Garson mine has also been suspended, and development of the new McCreedy East mine, which began in 1989, is being halted for further studies.

Inco said that some other capital spending plans may be deferred in both Ontario and Manitoba to conserve cash.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+5,700 to 631,650
Copper	-1,350 to 308,650
Lead	+125 to 96,050
Nickel	+630 to 7,650
Zinc	+1,750 to 148,575
Tin	-45 to 15,155

Anti-CAP booklet launched

By Kevin Brown in Sydney

THE AUSTRALIAN government yesterday stepped up its campaign against European Community agricultural subsidies by launching a booklet designed to make consumers aware of the costs of the Common Agricultural Policy.

The CAP was the main target of the Australian-led Cairns Group of 14 agricultural exporting nations during the unsuccessful Uruguay Round of the Gatt, which stalled last December in Brussels as a result of the row between the US and the EC over farm subsidies.

Australia has long argued that EC consumers would not accept the costs of the CAP if they were aware of its full effects. However, the timing of the release of the booklet indicates it is intended to lay the groundwork for a renewed Cairns Group attack on the CAP when the Uruguay Round talks resume later this year.

The government is paying A$40,000 (£18,000) for 7,000 copies of the booklet, Are You Paying Too Much?, in an attempt to strengthen internal EC opposition to the CAP.

The booklet is being published in English, French, German, Spanish and Italian, and will be distributed through Australian embassies to "influential" groups such as taxpayers' associations and consumer groups.

It says CAP subsidies increase taxes by up to 27 per cent and food prices by between 19 per cent and 52 per cent, adding £400 a year to the food bill and £225 to the tax bill for the average household.

"The pamphlet demonstrates that the CAP not only grossly distorts world trade, but also massively inflates the price EC consumers are charged for farm produce and the amount of tax they have to pay," said Dr Neal Blewett, the Trade Minister. The costs of protectionism were not readily identifiable to consumers, who tended to be unaware of the extent of the financial burden of the CAP, he said.

"It is not in the interests of their pro-protectionist governments to make available this kind of information, which might encourage stronger calls for reform. This is why the Australian government has taken the unusual step of preparing information for dissemination in another country."

The booklet drew immediate criticism from Mr Ove Juul Jorgensen, leader of the EC delegation to Australia, said it was "not conducive" to resolution of the Uruguay Round. "I don't think it is the most brilliant idea in the final phase of these very complex negotiations," he said.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb. in warehouse, 2.05-2.35 (1.95-2.15).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.00-14.50 (13.85-14.30).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 75-95 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.26-2.31 (2.27-2.32).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.20-2.40 (same).

URANIUM: Nuexco exchange /value, $ per lb. U_3O_8, 8.75 (8.55).

Soviet crisis keeps markets guessing

Kenneth Gooding, David Blackwell and Barbara Durr on post-coup confusion

LAST MONTH'S abortive Kremlin coup d'etat and the ensuing constitutional crises have highlighted the impact on world commodity markets of the calamitous decline of the Soviet economy over the past two years. The question now concerns the extent to which increased western aid will allow the government to satisfy its population's hunger for food imports and take the edge of the country's appetite for hard currency, thereby staunching the flood of metals exports that have been undermining western markets.

American grain traders are awaiting new estimates this week from the US Department of Agriculture on Soviet supply and demand for grains. Fresh figures will be out tomorrow, based in part on the findings of a USDA team that was in the Soviet Union during the week of the coup examining the state of the Soviet wheat crop.

In August, before the coup, the USDA had already raised its estimate of Soviet import needs during the 1991-1992 grain marketing year to 37m tonnes, a 10.3m-tonne increase compared with last year.

With $900m worth of US government agricultural credits hanging in the balance, the coup had made the grain market gyrate wildly last month, first plummeting then shooting back up.

But two problems are now casting a pall on the market: the political instability of the Soviet Union, and the unwillingness of commercial banks under these highly uncertain circumstances to finance Soviet grain purchases.

Worries about Soviet financial accountability have caused commercial banks to hesitate on financing the $315m worth of credits that President George Bush has made available immediately. Under the US government credit programme, 98 per cent of the grain purchase and 4.5 per cent of the interest is covered.

The Soviets have been able to buy 100,000 tonnes of maize using their last credit remaining for 1990-91.

Among the so-called "soft" commodity markets the Soviet Union has most importance for sugar. It is a significant producer, with just over 3m hectares sown to sugar beet, yielding about 9m tonnes of sugar.

About half the industry is concentrated in the Ukraine, with another third in the Russian Federation. The Ukraine trades sugar against oil from the Russian Federation.

Mr Chris Pack, analyst with Czarnikow, the London trader, points out that Soviet beet yields are only three tonnes a hectare, compared with the EC's six to eight tonnes. "Just a modern beet seed would improve things quite a bit," he says.

The transportation system is inefficient, and about 10 per cent of the crop disappears before it reaches the crushing factories, which are themselves old and run down.

However, Soviet per capita consumption, at 42 kg, is significantly higher than the EC's 30 kg. Much of the extra sugar is used by the "moonshine" industry brewing illicit vodka, Mr Pack believes.

Traditionally most of the annual Soviet deficit of about 4.5m tonnes has been filled by swapping oil for Cuban sugar. That trade is beginning to falter, however, which could lead not only to the Cubans seeking new buyers, but also to the former Soviet countries seeking new suppliers.

Until two years ago the Soviet Union was among the world's leading consumers of cocoa but its bean grindings have since declined by 65 per cent to 70,000 tonnes, according to Gill & Duffus, the London trader. And Mr Tony Chadwick, analyst with Prudential Bache, believes the figure could be even lower next year.

While chocolate making is a big industry in the Soviet Union, employing many people, such a luxury product is bound to take a back seat behind bread-making wheat and sugar. Nevertheless, consumption figures are more likely to rise than fall as personal spending power increases.

The same can be said for coffee, another luxury. The great bulk of the Soviet Union's consumption of just over 1m bags (60 kg each) comprises Indian robusta, which is traded for gas oil.

For the minerals markets the Soviet Union's importance is as a supplier. In volume terms it is the world's leading producer of iron ore, lead, nickel, manganese and potash. Further more, its output of copper, gold, diamonds, platinum, palladium, rhodium and zinc are of global significance.

So far the biggest impact of the Soviet search for foreign currency and its ability to divert materials from a sagging domestic economy has been felt in the traded metal markets – those for copper, aluminium, nickel, lead, zinc and tin.

Uranium free market prices are also well below the cost of production because western traders are drawing on huge Soviet stockpiles – estimated to contain up to 200,000 tonnes or four years of western requirements – to provide an alternative source of supply.

Much of the Soviet mineral wealth is found in Siberia, part of the Russian Federation, but the high-grade manganese is found in Georgia, there are large iron ore deposits in the Ukraine as well as Russia, while Kazakhstan, the most industrialised of the Asian republics, has some lead and zinc mines and smelters as well as some aluminium smelters. There is also a large aluminium smelter (possibly with an annual capacity of 500,000 tonnes) in Tajikistan in central Asia. Copper is found in Armenia and Kazakhstan as well as Russia.

The Soviet Union has made its mark in the west's traded metal markets most heavily with nickel, produced at Norilsk, on the Kola peninsula near the Finish border.

Nickel exports from the Soviet Union to the west nearly tripled in the 1980s and now account for about 15 per cent of western world supplies. The Soviet Union and its former eastern bloc satellites have also been satisfying between 1 per cent and 3 per cent of western demand for copper and aluminium, enough to have a significant effect on prices when supplies were tight.

As the Soviet economy went into reverse last year, however, its metal sales to the west – or in some cases cuts in imports – had a profound impact on market balances and continued to weigh heavily on prices in the first half of 1991. The Metals & Minerals Research Services consultancy group suggests that the unexpected flows from the eastern bloc are likely to send prices of metals traded on the London Metal Exchange (where world prices are determined) down by an average of 20 per cent this year, taking them close to their historic lows of 1986.

Copper imports from the eastern bloc countries jumped from 140,000 to 250,000 tonnes last year and it was principally the sharp increase in these sales that prevented another shortfall in supplies. MMRS suggests that eastern bloc copper exports will rise to 310,000 tonnes this year.

Soviet aluminium shipments to the west rose from 310,000 tonnes in 1989 to 350,000 tonnes last year and MMRS forecasts an increase to 650,000 tonnes. It says the lead market moved into a supply surplus last year because of a flood of Soviet material. In 1989 the eastern block *imported* 3,000 tonnes of lead. Last year it exported 8,000 tonnes and MMRS forecasts another 6,000 tonnes is on its way to the west this year.

Nickel shipments from the Soviet Union had already reached a very high level and showed only a marginal increase, from 95,000 tonnes to 100,000 tonnes, last year. MMRS believes there will be another slight rise, to 105,000 tonnes this year.

It says the continued absence of Soviet buying of refined tin "has delayed the point at which the market approaches some form of equilibrium". The former Comecon countries imported no tin last year after taking 9,000 tonnes in 1989.

There was also a complete reversal in trade in zinc last year. Comecon imports of 4,000 tonnes in 1989 were replaced by exports of 4,000 tonnes and exports could be near this level again in 1991.

There must be doubts about whether the Soviet Union can maintain metals output because most of its smelting and refining capacity has been deteriorating while the finance required for expansion has been limited.

By western standards the Soviet metals industry is grossly inefficient and also a terrible polluter. In the past 18 months copper plants in Armenia and the Urals have been closed for environmental reasons. The aluminium smelter in Kanaker in Armenia was shut down as long ago as 1984 and the Sumgait aluminium smelter in Azerbaijan was closed this summer.

A Scandinavian group, led by Outokumpu of Finland, has been putting together a scheme to upgrade the six nickel smelters owned by the Norilsk Combinat on the Kola peninsula, the biggest producer of this metal in the world – and also one of the world's great polluters.

Norilsk also produces nearly all the Soviet Union's platinum group metals. All three metals are essential in some automotive anti-pollution catalysts and the Soviet Union last year sold in the west about 580,000 troy ounces of platinum, 150,000 ounces of rhodium and 1.68m ounces of palladium. That represented about 50 per cent of the west's palladium needs, 20 per cent for platinum and 40 per cent for rhodium.

"A meltdown in Soviet precious metals mining would impact the rhodium price first," says Mr Andy Smith, analyst with the Union Bank of Switzerland. "Not only are the Soviets dominant suppliers, just below South Africa, but also Soviet stocks are probably low. Rhodium comes out of the end of the platinum group metals refining process, so inefficiencies along the production chain would hit rhodium the hardest."

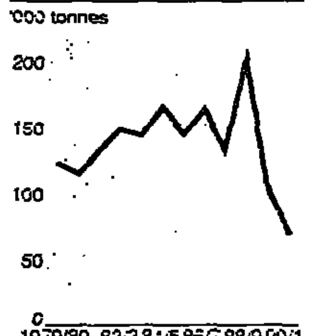
The Soviets certainly loom larger in the platinum group metals markets than in gold but the country aimed to earn between $2.5bn and $3bn of foreign currency a year from gold sales, according to Mr Timothy Green, an independent analyst and author of several books on the metal. To do so it has sold an annual 6m to 8m ounces. Mr Green says that annual sales of up to 11m ounces of gold can now be expected.

Most analysts believe that the Soviet Union will resist distress sales of its gold, which it needs to retain in reserves to provide some credibility for its currency. However, they become nervous about the fate of possibly 8m ounces out on swap in the west (sold but with a promise to buy back at an agreed future date) should the cash to buy the metal back not be available.

The Soviet Union is still the world's biggest oil producer, although production has been slipping since the middle of 1988 as a result of the natural decline in the western Siberia oil fileds, and the general disruption of the economy and lack of investment. In the first half of this year the decline in production accelerated, according to Mr Fergus MacLeod, oil analyst with County NatWest WoodMac, which revised its estimate for the first half down from 10.7m b/d to 10.2m b/d. The Soviet oil minister is predicting a similar figure, representing an 11 per cent fall on the first half last year. About 90 per cent of Soviet oil output comes from western Siberia, in the Russian Federation.

Consumption within the Soviet Union has fallen along with GNP, although Mr MacLeod said it appears the country was almost rationing itself in a move to keep exports strong. About two thirds of exports have traditionally come to the West, with the remainder going to eastern Europe, which has borne the brunt of the decline.

Soviet cocoa bean grindings



Soviet Metal Production

Base metals ('000 tonnes)	1990	share of world* total
Aluminium	1,800	11%
Copper	750	9%
Lead	420	9%
Nickel	275	12%
Tin	16	8%
Zinc	780	13%
Precious (troy ounces)		
Gold	8m	14%
Silver	45m	12%
Platinum group metals	3.8m	45%

*excluding China

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices moved ahead on the LME despite a rise of 5,700 tonnes in LME warehouse stocks to a record 631,650 tonnes. The gains came on the back of firmer copper and some forward trade buying interest. IPAI smelter stocks for July showed the total down 37,000 tonnes and unwrought down 63,000 tonnes underpinned prices. But traders pointed out that producers were only moving inventory to the LME, where stocks rose 62,875 tonnes in July. Copper prices were easier following profit taking and chart selling. News that warehouse stocks fell 1,350 tonnes, the first drop since July, although expected, was supportive but early gains soon attracted selling. London robusta coffee moved ahead on the back of New York's overnight rise on concern about dry weather in Brazil. Weakness in Chicago maize and soyabeans at midday was keeping wheat under pressure in light trading ahead of tomorrow's USDA crop report. Comex gold futures were trading lower at midday after a Soviet banker warned of possible gold sales. Tass quoted the deputy head of the Bank for Foreign Economic Affairs: "Hasty, unco-ordinated activities (among the increasingly autonomous Soviet republics) can very easily 'spoil' the market and lead to a fall in prices for gold."

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17055-7.15q	+0.10
Brent Blend (dated)	$19 90-0.00z	+125
Brent Blend (Oct)	$19 95-0.00	+0.10
W.T.I. (1 pm est)	$21.40-1.50z	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$246-248	+1
Gas Oil	$192-194	+2.5
Heavy Fuel Oil	$69-71	
Naphtha	$207-211	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$350.60	-0.85
Silver (per troy oz)♣	403 5c	-3 0
Platinum (per troy oz)	$349 5	
Palladium (per troy oz)	$82.25	-0.25
Copper (US Producer)	110.0c	-0.02
Lead (US Producer)	36.4c	
Tin (Kuala Lumpur market)	15.09r	+0.19
Tin (New York)	258 5c	
Zinc (US Prime Western)	62.0	
Cattle (live weight)†	101 52	-3.36*
Sheep (dead weight)†	107.20	-11.16
Pigs (live weight)†	70.32	+4.99*
London daily sugar (raw)	$238.0q	-1.0
London daily sugar (white)	$269.0q	-2.0
Tate and Lyle export price	£248.0	-1.5
Barley (English feed)	£112.0x	+0.5
Maize (US No. 3 yellow)	£179	
Wheat (US Dark Northern)	£97.0	
Rubber (Oct)▼	51.50p	
Rubber (Nov)▼	52.00p	
Rubber (KL RSS No 1 Oct)	224.50	-0.5
Coconut oil (Philippines)§	$470.0	+22.5
Palm Oil (Malaysian)§	$320.0	
Copra (Philippines)§	$300.0	+12.5
Soyabeans (US)	£151.5x	
Cotton "A" index	70.60c	+0.10
Wooltops (64s Super)	360p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Sep/Dec u-Oct/Dec v-Sep y-Aug/Sep z-Oct †Meat Commission average fatstock prices. * change from a week ago. ▼London physical market. §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	200.60	203.00	204.40 199.20
Dec	190.00	186.00	186.00 185.00
Mar	190.00	191.00	192.00 187.80
May	190.00	191.00	190.00 188.00
Oct	200.00	195.00	190.00
White	**Close**	**Previous**	**High/Low**
Oct	285.2	285.5	288.0 284.0
Dec	279.2	279.5	281.6 278.1
Mar	280.1	280.1	282.1 279.0
May	279.1	279.5	280.0 278.0
Aug	279.0	278 0	279.5 278.0
Oct	260.4	259.5	260.2 259.0

Turnover: Raw 212 (386) lots of 50 tonnes. White 2815 (1576)
Paris- White (FFr per tonne): Oct 1651

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Oct	19.94	19.84	20.03 19.88
Nov	19.96	19.91	20 05 19.94
Dec	19.96	19.92	20.02 19.95
Jan	19.92	19.70	19.92 19.86
Feb	19.85	19.60	19.85
Mar	19.75		19.75 19.72
Apr	19.66	19.55	19.66
May	19.62		19.62
IPE Index	19.94	20.16	19.94

Turnover 14873 (19596)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Sep	190.50	189.50	191.25 190.00
Oct	194.50	193.25	195.25 193.50
Nov	196.25	195.00	196.50 195.50
Dec	196.75	196.00	197.25 196.00
Jan	194.75	194.00	195.25 194.00
Feb	189.25	188.00	189.25 189.25
Mar	184.25	183.00	184.25 184.25
Apr	179.50	178.50	179.50 179.50

Turnover 13432 (13058) lots of 100 tonnes

JUTE

C and F Dundee: BTC US$425, BWC US$425, BTD US$390, BWD US$385. C and F Antwerp: BTC US$400, BWC US$395, BTD US$375, BWD US$370

COTTON

Spot and shipment sales for the week ending 6 September 1991 amounted to 66 tonnes against 22 tonnes in the previous week. Demand for specialist growths dropped with only minor purchases in Russian qualities.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	712	710	712 705
Dec	743	737	743 732
Mar	779	773	779 768
May	798	792	796 788
Jul	816	812	816 808
Sep	836	830	835 830
Dec	856	851	856 852
Mar	880	873	880 870
May	897	889	888
Jul	914	907	906 904

Turnover 3456 (4256) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 9 943.10 (932.36) 10 day average for Sep 10 899 09 (891.26)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	541	538	547 540
Nov	567	563	575 565
Jan	586	582	592 585
Mar	597	593	602 596

Turnover:3760 (1987) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 9 : Comp. daily 68.97 (67 64) 15 day average 64.89 (64.42)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	119.3	120.0	120.5 119.0

Turnover 127 (74) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	134 50	134.00	134 50

Turnover 50 (115) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Sep	1607	1607	1620 1602
Oct	1704	1710	1715 1700
Jan	1718	1718	1728 1718
Apr	1717	1725	1725 1720
Oct	1575	1563	1565
BFI	1549	1547	1549

Turnover 179 (218)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	114.35	114 10	114.25 114.25
Nov	117.00	116.60	117.00 116.70
Jan	120.40	120.10	120.40 120 10
Mar	123.50	123.30	123.50 123 25
May	126.75	126.50	126.60
Barley	**Close**	**Previous**	**High/Low**
Nov	113.45		113.45
Jan	117.15		117.20
Mar	119.50		119 50 119.40
May	121.30		121.30

Turnover: Wheat 318 (143), Barley 46 (0).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	101.0	101.0	101.0 101.0
Nov	105.5	104.5	105.0 104.5
Jan	105.0	105.0	104.7
Mar	109.5	108.0	108.5
Apr	110.0	110.5	109.5
May	110.0	110.0	110.0

Turnover 41 (14) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Index	138.96	139.25			
Sep	139.20	139.50	139.20	139.00	[illegible]
Oct	139.20	140.00	139.20	139.20	[illegible]
Nov	139.60	140.50	139.80	139.60	[illegible]
Dec	139.90	141.00	140.30	139.90	[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,931 lots
Cash	1253-6	1243-4	1252	1252-3		
3 months	1284-5	1274-5	1286/1272	1282-3	1286-7	- lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,623 lots
Cash	1352-3	1354-5	1352/1347	1347-8		
3 months	1362-3	1354-4 5	1357/1348 5	1348-8 5	1352-3	- lots
Lead (£ per tonne)						Total daily turnover 2,745 lots
Cash	318-9	313-3.5		316.5-7.0		
3 months	329-30	325-5.5	329 5/326	327.5-8 0	328-9	- lots
Nickel ($ per tonne)						Total daily turnover 2,645 lots
Cash	7810-20	7770-80	7825/7820	7820-25		
3 months	7820-25	7790-800	7900/7815	7845-50	7855-60	- lots
Tin ($ per tonne)						Total daily turnover 1,413 lots
Cash	5580-90	5560-70		5580-82		
3 months	5660-65	5645-55	5670/5655	5658-62	5665-8	- lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,784 lots
Cash	1027-9	1030-2		1025-6		
3 months	1045-6	1047-8	1050-1044	1043-4	1045-6	- lots

LME Closing £/$ rate: SPOT: 1.7300 3 months: 1.7119 6 months: 1.6938 9 months: 1.6788

LONDON BULLION MARKET
(Prices supplied by N.M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	350 40-350.80	
Opening	350.90-351 30	
Morning fix	351 20	202.421
Afternoon fix	351.70	202 686
Day's high	351.90-352.30	
Day's low	350 40-350.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5 21	6 months	4 95
2 months	5.16	12 months	4 89
3 months	5.11		

Silver fix	p/fine oz	US cts equiv
Spot	234.40	408 35
3 months	240.25	411.85
6 months	245.85	417.55
12 months	258.25	430.85

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	351.75-352.75	202 75-203.25
Maple leaf	361.00-362.00	208.00-208.50
New Sovereign	85.00-86 00	49 00-49.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Dec	Oct	Dec
1200	67	94	1	8
1300	6	32	40	44
1400	1	8	133	117
Copper (Grade A)	**Calls**		**Puts**	
2250	90	98	8	40
2300	57	49	45	89
2450	4	20	121	159
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
600	24	47	9	11
650	6	19	40	33
700	1	7	85	72
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	122	8	5	34
725	100	74	8	40
750	81	61	14	57
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1950	-	-	34	-
2000	-	-	-	-
2050	24	-	46	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	349.8	351 1	0	0
Oct	350.9	352.1	353.3	350.7
Nov	352.4	353.6	0	0
Dec	354.0	355.2	356.4	353.7
Feb	357.1	358.3	357.5	357 3
Apr	360.0	361.2	361.4	360.0
Jun	363 0	3364.3	362.8	362.8
Aug	366.2	367.5	367.5	367.5
Oct	369 2	370.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	348 8	351.7	351 0	347.5
Jan	353.1	356.1	356.0	351.5
Apr	356.9	359.9	359 0	359.0
Jul	360 7	363.7	0	0
Oct	368 0	371.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	398.2	404.1	406.5	398.0
Oct	399.4	405 4	0	0
Nov	401.5	407.5	0	0
Dec	404.0	410.0	414.0	403 0
Jan	406.2	412 2	0	0
Mar	410.8	416.8	420.0	411.0
May	415.4	421.5	417.5	416.5
Jul	419.7	425.9	422.5	422.5
Sep	424.5	430.9	0	0
Dec	431.8	438.3	433.0	433.6

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	106.65	105.95	106.85	105.60
Oct	105.75	105.40	105.80	105.10
Nov	105.45	105.05	0	0
Dec	104.90	104.70	105.10	104.30
Jan	104.60	104.40	0	0
Feb	104.30	103.80	103.80	103.50
Mar	104.00	103.15	103.80	103.50
May	102.80	102.50	102.60	102.25
Jul	101.90	101.80	0	0
Sep	101.70	101.35	101.30	101.20
Dec	101.30	100.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.38	21.33	21.54	21.37
Nov	21.36	21.30	21.48	21.35
Dec	21.32	21.27	21.40	21.32
Jul	20.65	20.64	20.70	20.65

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	6135	6157	6200	6110
Dec	6365	6370	6415	6345
Feb	6265	6280	6300	6250
Mar	6005	6020	0	6005
Jun	5648	5670	5726	5595
Jul	5510	5505	5500	5500

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1150	1163	0	0
Dec	1185	1204	1204	1182
Mar	1238	1256	1255	1234
May	1268	1285	1279	1270
Jul	1295	1310	1298	1294
Sep	1318	1331	0	0
Dec	1350	1366	1350	1350
Mar	1382	1401	0	0
May	1407	1425	0	0
Jul	1428	1446	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	89.30	89.90	91.00	89.25
Dec	92.50	93.55	94.55	92.10
Mar	95.70	96 90	97.60	95.40
May	97.75	99 65	99.90	97.75
Jul	100.50	101.65	101 50	100 50
Sep	103.00	104.20	103.00	103.00
Dec	106 90	106.80	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.90	9 03	9.16	8.86
Mar	8.62	8 70	8.84	8 57
May	8 59	8 62	8.76	8.56
Jul	8.58	8.60	8.75	8.58
Oct	8.56	8.60	8.75	8.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	65.50	68.13	66.04	65.25
Dec	66.57	66.93	66 98	66.25
Mar	67.75	69.63	68.10	67.60
May	68.45	67.48	68.45	68.40
Jul	69 07	66 90	69.00	69.00
Oct	67.42	0	67.30	67.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	117.85	119.40	118.45	117 60
Nov	116.25	118.70	118.60	116.10
Jan	116.15	118.45	118 40	116.00
Mar	116 80	119.25	119 25	116.65
May	117.65	119.95	118.75	117.60
Jul	117.85	120.60	118.80	117 50
Sep	117.65	120.60	120.30	118.00
Nov	117.65	120.60	0	0
Jan	117.65	120.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 10	Sep 9	mnth ago	yr ago
1670.8	1665.1	1645.5	1827.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 9	Sep 6	mnth ago	yr ago
Spot	118.37	117.51	119.07	129.09
Futures	124.02	123.48	121.71	132.01

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	573/0	576/4	575/4	570/4
Nov	582/0	586/4	586/0	581/0
Jan	592/4	597/2	596/4	592/0
Mar	603/0	607/6	606/6	602/4
May	609/0	614/6	613/0	609/0
Jul	613/6	618/6	618/0	613/4
Aug	610/0	613/4	615/0	610/0
Sep	589/0	590/0	593/0	589/0
Nov	581/6	584/2	585/0	581/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	20.22	20 47	20.40	20.14
Oct	20.23	20.46	20.40	20.19
Dec	20.57	20.77	20.72	20 54
Jan	20.76	20.95	20.89	20.75
Mar	21.08	21.28	21.24	21.07
May	21.31	21 45	21 55	21.31
Jul	21.60	21 68	21.70	21.60
Aug	21.62	21.75	21.75	21.62
Sep	21 62	21.67	21.65	21.62
Oct	21.57	21.67	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	188 1	189.1	189.0	187.5
Oct	185.7	186 8	186.7	185.3
Dec	183.9	185.3	185 0	183 4
Jan	182.7	184.4	184.2	182.1
Mar	181.7	183.0	182.6	181.0
May	180 5	181.5	181.1	179.6
Jul	179.5	180.5	180.8	178.9
Aug	178.7	182.0	180.0	178.5
Sep	178 5	182.0	180.5	178.6

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	245/0	244/6	245/2	243/4
Dec	249/6	250/2	250/4	249/0
Mar	257/4	258/2	258/2	257/0
May	262/0	262/6	263/0	261/6
Jul	264/2	265/6	265/2	264/0
Sep	251/6	252/2	253/2	251/4
Dec	248/4	249/2	250/0	248/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	317/0	315/2	317/0	314/0
Dec	322/6	322/2	323/2	320/2
Mar	325/2	324/6	325/4	323/2
May	318/0	319/4	319/4	317/6
Jul	304/2	306/6	306/2	304/0
Sep	312/2	313/6	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.85	71.77	72.17	71.27
Dec	74 90	74 67	75 20	74.40
Feb	72.90	72.70	73.15	72 57
Apr	73.42	73 35	73.72	73 25
Jun	71 35	71.25	71.40	70.90
Aug	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.32	45.00	45.45	44.85
Dec	44.85	45.02	45.20	44.57
Feb	44.22	44.32	44.40	44.05
Apr	42.55	42.60	42.70	42.47
Jun	47.85	47.80	48.70	48.60
Jul	46.85	46.85	46.85	46.70
Aug	45.27	45.27	0	45.15

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.12	49.80	50.10	48.55
Mar	49.12	49.00	49.85	48.55
May	50.50	50.46	50.80	49.40
Jul	50.10	50.20	50.40	[illegible]
Aug	47.90	48.00	48.15	47.90

LONDON STOCK EXCHANGE

Nervous selling towards the close

By Terry Byland, UK Stock Market Editor

SHARE PRICES continued to slide in London yesterday as the stock market braced itself for the profits statement, and possible rights issue, from British Aerospace. An attempt to rally from an early fall of nearly 23 points on the FT-SE scale was thwarted by a weak start to the new Wall Street session, emphasised by selling of Glaxo, the pharmaceutical leader due to report profits today.

Optimism on the economic front was heightened by confident comments from Mr John Major, the UK prime minister, who said that the economy is "back on course", although the effects on the market were counter-balanced by his move to cool election speculation. News of a slowdown in producer price momentum joined Monday's upward revision of domestic retail sales in buttressing underlying confidence in equities. But the market remained a prey to short term factors, and the institutions largely kept out of the way until the current round of rights issue hints and this week's heavy list of corporate results have been unwound.

The FT-SE Index closed 22.4 down at 2,630.8, only just above the day's low point. Trading volume increased to 467.1m shares from Monday's 345.8m. Intra-market business provided a substantial proportion of yesterday's deals and the institutions again picked up stock by way of share placings rather than by competing in the open market; a block of 7½m shares in British Steel was placed close to the market price and 2m shares in BET were also placed, with both blocks apparently going into institutional hands.

The contrast between the near peak levels of equity market indices and the still poor levels of trading volume was reflected yesterday in new hints that a senior, well-known name in the stockbroking world was on the brink of withdrawing from the London market.

British Aerospace stock fell again, although by considerably less than on Monday when the board warned the City regarding today's profits news. The Footsie Index was also dragged back towards the end of the session by a heavy setback in Glaxo. US sellers hit the pharmaceutical group hard towards the London close, when the Dow Industrial Average was down 24 points to below the 3,000 mark which has proved a stumbling block for US equities over the past few months.

However, with the US dollar less active yesterday, falls in the UK blue chip internationals were mostly small. Oil stocks, despite Wall Street's weakness, steadied to close with trifling losses on the day.

Domestic retail and consumer stocks retained most of the minor gains which greeted the unexpected improvement in domestic retail sales figures announced in the previous session.

Equity strategists continued to express a diversity of views on equities, with most suggesting that progress may be less dramatic than over the past month. Barclays de Zoete Wedd believes that the recovery in corporate earnings has now begun to "justify the premiums that have been paid for it." The firm has increased its earnings per share growth estimate for next year from 10 per cent to 15 per cent.

At Hoare Govett, Mr Richard Lake still sees the FT-SE Index at 2,750 in the short term, and predicts an area of 2,900 to 3,000 by Christmas.

Account Dealing Dates

*First Dealings:		
Sep 2	Sep 16	Sep 30
Option Declarations:		
Sep 12	Sep 26	Oct 10
Last Dealings:		
Sep 13	Sep 27	Oct 11
Account Day:		
Sep 23	Oct 7	Oct 21

*New-time dealings may take place from 8.30 am two business days earlier.

Selling bout hits Glaxo

PHARMACEUTICALS giant Glaxo saw one of the sharpest falls among Footsie stocks. The drop of 41 to 1325p on turnover of 2.2m – heavy for the stock – was prompted by profit-taking in the US market and also by the weakness of the dollar.

There was also talk that some traders had been marking down the share price in London in the hope of generating business. This was coupled with speculation that US securities house Wertheim Schroder had cut its profits forecast for the company.

Dr Jonathan Gelles, of Wertheim, firmly denied the rumours. He said: "We have sold some stock for some clients but in no way, shape or form have we downgraded our view on Glaxo. Our price target is at the very least £21 in two years' time."

Mr Didier Cowling of Nomura Research said there had been switching from Glaxo into Fisons (up 9 at 510p).

Beazer doubts

The market gave an emphatic thumbs down to what will be the final preliminary results from the Beazer group; today Beazer is scheduled to reveal the pathfinder prospectus for the flotation of C.H. Beazer, comprising the non-US interests of the group that include the highly rated UK housebuilding division.

Beazer's profits figure, £60.6m, was broadly in line with market estimates, but included £14.9m for the release of fair value provision, which perplexed building sector specialists. The market was additionally unsettled by the 4p dividend total when a figure of 5p had been pencilled in.

The Beazer share price, pushed up to 100p in recent days as the latest cut in UK interest rates focused market attention on the recovery prospects for housebuilders, fell to 89p before stabilising and closing a net 6 off at 89p. Turnover was 2m shares.

Trafalgar upset

Construction group Trafalgar House made a weak showing after at least one securities house lowered its profits forecast. The shares closed 16 down at 229p on 3.4m traded.

Institutional broker James Capel cut its estimate for the company's full-year profits to £100m from £115m. An analyst at Capel said the downgrade was prompted by concern over the general dullness of the property sector, in which Trafalgar is involved, and the group's exposure to Brel, the troubled UK railway rolling stock manufacturer.

There was speculation that Hoare Govett had also downgraded. Mr David Ireland of Hoare said it was unlikely that the company would announce profits of less than £130m. He confirmed, however, that after talking to Trafalgar on Monday he had reduced his 1992 forecast by £10m to £180m.

The shares were further affected by adverse press comment yesterday on the sale of 1m "A" shares by Sir Nigel Broackes, Trafalgar's chairman.

Arjo Wiggins down

Arjo Wiggins Appleton, the Anglo-French paper group, dropped 17 to 272p after warning that trading would be difficult in the UK during the second half and that profits were likely to worsen in Europe. At 9.2m shares, turnover was heavy.

The 4.7 per cent decline in interim profits to £135.5m was in line with most analysts' forecasts, although full-year estimates were shaded down after the company's warning. Hoare Govett, for example, now expects £250m against £262m.

However, the shares moved off their low as the market digested the news that Arjo was back in talks over the sale of Soporcel, of Portugal, in which it holds a 43 per cent stake. The rise in group operating profit margins from 10.6 per cent to 11.6 per cent also provided support.

Speculation that the heavily capitalised health and household sector of the stock market may be reclassified by the Stock Exchange hit Reckitt & Colman. It was believed that Reckitt's weighting would be changed if it ceased to be classified alongside pharmaceuticals companies and the shares fell 17 to 679p.

However, after the Stock Exchange met late yesterday, a spokesman said the reclassification would affect Stock Exchange groupings but not the FT-A indices. There has also been talk that Unilever (up 5 at 769p) would join one of the newly classified sectors and thus increase its weighting. This is not the case.

Turnover in British Steel rose to 19m as the shares followed the market trend and eased a penny to 131¼p. S.G. Warburg accounted for a large part of the day's trade. It is believed that the broker bought some 8.5m shares at 118.5p and sold the majority of its purchase at 119.5p in two blocks, one of 5.6m shares and another of 1.9.

British Aerospace remained in the doldrums following Monday's profits warning. The shares fell 19 to 499p at one stage. What one trader, however, called "brave bargain hunters" helped the shares rally to close a net 10 off at 508p on turnover of 2.6m as the market eagerly awaited today's interim results and news of the long anticipated rights issue.

Mr Chris Avery at Smith New Court said: "The company will be hard pushed to come up with explanations to let the bulls have a run."

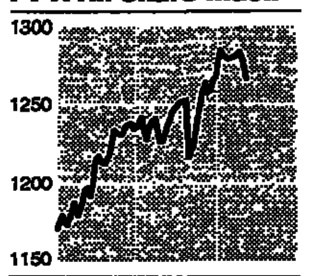
Bid target Invergordon Distillers added 10 at 269p ahead of today's interim results on talk that the £286m offer from Whyte and Mackay may have to be increased. Analysts expect around £30m interim profits.

There was heavy two-way trading in all three Racal stocks throughout the session. Some 10m Racal Electronics changed hands, with the shares closing 1½ off at 234p. A similar volume was seen in Racal "Special Ex", which ended unaltered on balance at 42p, having risen from the 34p mark at which they commenced trading a week last Monday.

Turnover in the "Special Ex" stock has been consistently heavy since the Stock Exchange granted the shares an official listing prior to the September 16 demerger of Racal Telecom from Racal Electronics.

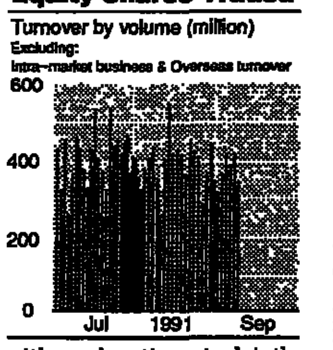
After the demerger Racal Telecom will be renamed Vodafone. Racal Telecom retreated 5 to 357p, unsettled by a bearish note issued by Robert Fleming Securities. Mr Laurence Heyworth at Fleming said the risks facing Vodafone would include regulation from Oftel, the telecoms industry watchdog, and from the European Community, intra-European tariff comparisons and increased international competition for cellular franchises. Fleming acknowledged the possibility of a bid being made after the demerger increases the number of shares available, but it expects to see the stock trade below 300p in coming months.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



The heaviest activity in the insurance area of the market was in Royals, which fell 7 to 391p as turnover reached an unusually large 5.1m shares. The stock was depressed, dealers said, by talk of a big profits downgrade and bearish analysis of the group's mortgage indemnity business by one of the leading UK brokerages.

Sun Alliance, another leader in the mortgage indemnity business, suffered for the same reason, closing 6 off at 370p, albeit on much thinner turnover of 1.6m. Commercial Union benefited from switching out of Royals and Sun Alliance, firming 2 to 517p.

BTR was firm ahead of a series of presentations planned by the company. The shares improved 2 to 428p in the morning and held their price as securities house Hoare Govett hosted a meeting with more than 100 institutional clients in London yesterday.

MB-Caradon lost 8 to 262p, pushed down by a large placing, believed to be with an institution, of more than 2m shares dealt at 260p.

Worsted spinner John Haggas jumped 12 to 70p after posting full-year profits more than doubled to £1.8m accompanied by a confident statement.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 20.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (195). BRITISH FUNDS (60) [illegible] ... Tr 2pc I-L 2003, Tr 2pc I-L 2006, Tr 2pc I-L 2009, Tr 2pc I-L 2011, Tr 2pc I-L 2013, Tr 2pc I-L 2016. INT.BANK & O'SEAS GOVT. STLG. ISSUES (4) African Dv. Bk. 11¼pc 2010, Asian Dv. Bk. 10¼pc 2009, Int-Am Dv. Bk. 12½pc 2003, Do. 9¼pc 2015. CORPORATION LOANS (3) Birmingham 11½pc 2012, Liverpool 3½pc Irrd., Manchester 11½pc 2007. LOANS (2) N'wide. Ang 3⅞pc 2021, Do. 4¼pc 2024. FOREIGN BONDS (1) Hydro Quebec 15pc 2011. AMERICANS (1) Data Gen., BREWERS (3) Greene King, Invergordon Dists., Mansfield, BUILDINGS (5) Brit. Dredging, Newman-Tonks, Polypipe, Raine Inds., CHEMICALS (4) Cambridge Isotope, Porvair, Rentokil, Wentworth, STORES (10) Alexon, Ashley (Laura), Casket, Dewhirst, Dunhill, Forminster, Hartstone, Liberty N/V, [illegible] ... London, Interlink Express, Tibbett & Britten, TRUSTS (3) AFP, River & Merc. Ex. Inc., Scottish Cities, OILS (1) Evergreen Res.

NEW LOWS (28). AMERICANS (1) Texas Instr., CANADIANS (2) Central Capital A, ECO, BUILDINGS (3) CALA, Condor, Shorco, STORES (1) Clinton Cards, ELECTRICALS (1) Applied Holographics, HOTELS (1) Savoy A, INDUSTRIALS (7) Brit. Aerospace, Cleyhithe, Dean & Bowes, Melville, Oriflame, Select Appts., Tamaris 8½pc Pf., PROPERTY (2) Cap. & Counties 5¾pc Pf., Hanover Druce, TEXTILES (1) Gaskell, TRUSTS (5) Korea Liberal Warrants, Malaysian Emrg. Wrrnts. Co's. Fd., Nat. Home Loans, Do. 7½pc Pf., South America Fd., OILS (4) Brabant Res., Goal Pet., Great Western Res. A, Pict. Pet.

FINANCIAL TIMES STOCK INDICES

	Sept 10	Sept 9	Sept 6	Sept 5	Sept 4	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.05	86.94	86.62	86.50	86.38	78.52	87.05 (10/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.89	95.46	95.34	95.33	95.32	86.47	95.89 (10/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2071.9	2085.6	2093.6	2092.5	2094.2	1651.0	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	162.8	161.5	162.0	161.0	160.2	191.4	222.8 (11/7)	127.9 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2630.8	2653.2	2667.4	2663.3	2664.6	2144.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1181.61	1188.60	1195.17	1196.88	1196.20		1198.60 (3/9)	903.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.61	4.55	4.56	4.55	4.54	5.73				
●Earning Yld % (full)	7.47	7.40	7.37	7.37	7.39	12.09				
●P/E Ratio (Net)(*)	16.71	16.86	16.93	16.93	16.88	10.03				
SEAQ Bargains 4.45pm	28,162	30,465	33,997	28,609	30,181	16,253				
Equity Turnover (£m)†	-	738.35	854.14	824.91	895.46	596.35				
Equity Bargains†	-	31,474	32,629	29,107	30,167	15,791				
Shares Traded (mil)†	-	343.7	415.4	393.8	414.0	299.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ● Nil 11.89

Ordinary Share Index, Hourly changes Day's High 2094.9 Day's Low 2070.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2084.9	2076.3	2072.1	2078.5	2078.4	2077.7	2077.4	2070.9	2072.7

FT-SE 100, Hourly changes Day's High 2646.1 Day's Low 2630.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2646.1	2636.3	2637.2	2637.9	2638.9	2638.2	2638.2	2630.6	2631.4

FT-SE Eurotrack 200, Hourly changes Day's High 1185.54 Day's Low 1180.33

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1181.44	1180.97	1182.13	1183.08	1182.81	1183.99	1182.33

GILT EDGED ACTIVITY

Indices*	Sept 9	Sept 6
Gilt Edged Bargains	93.2	84.4
5-Day average	89.7	88.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000s	Closing Price	Day's change
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

MUCH OF the equity futures' lead over the stock market evaporated yesterday as nervousness about the domestic political scene and a poor performance by Wall Street depressed the market, writes Jim McCallum.

The September FT-SE 100 index contract fell faster than the spot index and by the close its premium had contracted to just 10 points against a high of 20 earlier in the session.

With fair value calculated at 10 points the futures market is currently not signalling any gains by the stock market before the end of the month.

This is partly accounted for by the unwinding of large share trades hedged in the futures market - with investors selling futures and buying shares. But there was also unease after the stock market's recent strong gains.

The September FT-SE closed at 2,642.5, down 29 points on the day.

In the traded options market, dealing levels picked up slightly, with BP leading the way. The larger trades included the sale of 3,000 April 330 puts and the purchase of over 1,000 January 390 calls.

Sears December 100 and 80 calls were active. A buyer of 500 Rolls-Royce December 140 calls and 300 December 130 calls also lifted turnover.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						
89	82¼	Exch 3pc Gas 90–95	86¾	+¼	3.46	
102	96	Exch. 10¼pc 1995	102	+¼	10.05	
110¼	105⅝	Treas 12¾pc 1995‡‡	110¼	+⅛	11.56	
114	109	Treas. 14pc '96	114	+⅛	12.28	
98	92	Treas. 9pc 1992–96‡‡	98	+⅛	9.13	
119	115	Treas 15¼pc 1996‡‡	119	+⅛	12.77	
112	108	Exch 13¼pc 1996‡‡	112	+⅛	11.79	

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101	95	Conversion 10pc 1996	101	+⅛	9.86	
101	97¾	Do. 10pc 1996 B	101	+⅛	10.11	
113	108	Treas 13¼pc 1997‡‡	113	+⅛	11.63	
103	97¼	Exch 10½pc 1997	103	+⅛	10.15	
96¼	89	Treas 8¾pc 1997‡‡	96¼	+⅛	9.09	
122⅝	117	Exch 15pc 1997	122	+⅛	12.24	
100	93	Exch. 9¾pc 1998	100	+⅛	9.72	
88⅛	80⅝	Treas 6¾pc 1995–98‡‡	88⅛	+⅛	7.66	
128	121¼	Treas. 15½pc '98‡‡	127	+⅛	12.11	
111¼	104¾	Exch. 12pc 1998	111	+⅛	10.80	
99	92	Treas 9½pc 1999‡‡	99	+⅛	9.54	
112	105	Exch. 12¼pc 1999	112¾	+⅛	10.86	
104	97⅜	Treas. 10½pc 1999	104	+⅛	10.09	
102	95	Conversion 10¼pc 1999	102¼	+⅛	9.98	
96	89	Conversion 9pc 2000‡‡	96	–⅛	9.31	
117	110½	Treas. 13pc 2000	117¼	+⅛	11.04	
101¾	94	Treas 10pc 2001	101		9.82	
119⅝	113	Treas. 14pc '98–01	119	+⅛	11.75	
100	92	Treas 9¾pc 2002	100¼	+⅛	9.73	

BRITISH FUNDS—Contd

Over Fifteen Years; Undated; Index-Linked

[illegible]						

INT. BANK AND O'SEAS

[illegible]						

CORPORATION LOANS

[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]						

LOANS

Building Societies

[illegible]						

Public Board and Ind.

[illegible]						

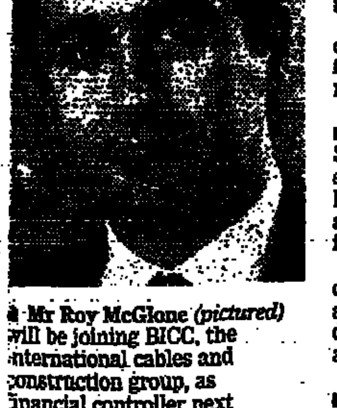
FOREIGN BONDS & RAILS

[illegible]						

Continued on next page

APPOINTMENTS

Financial controller for BICC



■ Mr Roy McGlone *(pictured)* will be joining BICC, the international cables and construction group, as financial controller next Monday.

Mr McGlone, a chartered accountant and member of the Association of Corporate Treasurers, is currently group controller of Peek.

■ ROCKWARE PLASTICS, a leading UK plastic packaging manufacturer for toiletries, cosmetics and perfumery which is part of Rockware Group, has appointed Mr Peter Harling as sales and marketing director.

Mr Harling joins Rockware from Doctus Consulting Europe, where he was business development director. He has much knowledge of the toiletries industry, having previously held positions at Avon Cosmetic and Unilever.

■ Mr Tony Quick is to fill the new position of international sales and marketing director for FIELD AIRCRAFT and METAIR AIRCRAFT, which are part of the aviation division of the HUNTING group.

Mr Quick was sales and commercial general manager for BP's UK advanced materials operation.

■ FIMAT INTERNATIONAL SA, the futures broking subsidiary of Société Générale, has appointed Mr Brian Kaye as director with responsibility for Europe outside France.

Mr Kaye, former treasurer of Société Générale Tokyo, has also been named managing director of FIMAT Futures UK, and will be based in London.

■ INDEPENDENT MORTGAGE ASSOCIATES has appointed the following to the board: Mr Robert Taylor as non-executive chairman; Mr Stuart Atkinson as managing director; and Mr John Barkshire, Mr Peter Bassnett and Mr Geoffrey Harrison-Dees as non-executive directors.

Mr Charles Day becomes financial director and company secretary, Mr Jeremy Dummett marketing director and Mr Peter B. Smith sales director.

Mr Taylor has held senior executive positions in life assurance and investment, at Target Life and most recently with N.M. Schroder. Mr Atkinson has senior management experience within the insurance and finance industries, gained at Legal & General and Lloyds Bowmaker.

■ RANKS HOVIS MCDOUGALL INGREDIENTS, manufacturers of seasonings, coatings, flavours and texturisers, has named Mr Geoff Neal commercial director.

Mr Neal became commercial manager 18 months ago, and before that was chief accountant.

■ Mr Richard Piper *(pictured)* has been elected chairman of the NATIONAL ASSOCIATION OF WAREHOUSE KEEPERS for the year 1991/92. He succeeds Mr David Mackenzie, of Midlands Storage, part of Transport Development Group.

Mr Piper is managing director of G. Page, of Greenwich, specialists in the storage of newsprint and porcelain, and was chairman of the London region of NAWK in the period 1984-91.

■ Mr Matthew Wilson is to head the newly formed Asset Trading Group of TOKAI INTERNATIONAL, the capital markets arm of the Japanese Tokai Bank. He will be responsible for building a team to trade in across-the-board, multi-currency and multi-product instruments.

Mr Wilson was with Credit Suisse First Boston for five years, serving as a director in the asset sales group.

■ HARTSTONE GROUP, the international leathergoods and hosiery distribution specialist, has appointed Mr Shaun Dowling and Mr John Padovan as non-executive directors.

Mr Dowling is an executive director of Guinness. Mr Padovan retired as deputy chairman of Barclays de Zoete Wedd and chairman of de Zoete and Bevan last month but remains a corporate finance consultant. Prior to joining BZW in 1986 he was deputy chairman of Hambros, and before that chief executive of County Bank. Mr Padovan is also a non-executive director of Tesco.

Reflecting his widening responsibilities, Mr Alan Cohen has been made chief executive of Hartstone's continental European leathergoods division.

COMPANY NOTICES

OBITUARY

ART GALLERIES

CLUBS

PERSONAL

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20¾	Abbott Laboratories	31½	–½	$1.00	–	1.9
385p	257p	♥Allegheny & W 1c	302p	+5	30c	–	5.9
10¼	667p	Amdahl 5c	888p	+3	10c	–	0.7
42¼	25½	Amer. Cyanamid $5	36¼	–½	$1.50	–	2.5
17⅞	9	Amer. Express 60c	15	–⅛	92c	–	3.6
24½	15¼	American T & T $1	22	–	$1.32	–	3.5
38⅛	32½	Ameritech $1	36¼	+	$3.40	–	5.6
26	12	BankAmerica $1	24½	+	$1.20	–	2.9
35⅝	20	Bankers N.Y. $1	33	–	$1.52	–	8.6
30½	24¼	Bell Atlantic $1	28½	–½	$2.52	–	5.3
31¼	25	BellSouth Corp	28⅝	–⅛	$2.76	–	5.7
11¼	6	♥Bethlehem Steel $8	10½	–½	40c	–	2.3
1839p	1046p	Bowater Inc.	1500p	–15	$1.20	–	4.7
54	37	CPC Intnl. 25c	52	–	$2.00	–	2.2
930p	420p	California Engy.	904p	–25	–	–	–
50	28¼	Campbell Soup 15c	44½	–1¼	$1.16	–	1.5
12¼	5	Chase Manhattan $12½	11½	–¼	$1.20	–	6.3
9	5½	Chrysler $6¼	6	–½	60c	–	5.4
10⅛	5	Citicorp $1	8	–	$1.00	–	7.0
25	21	Colgate-Palmolive $1	23	–	$1.06	–	2.7
928p	438p	Cont'l Bank Corp $4	685p	–4	60c	–	5.2
21⅝	13	Dana Corp $1	17¾	+	$1.60	–	5.3
1190p	203p	Data General	1190p	+8	–	–	–
22½	12⅞	Dial Corp $1.5	20	–	$1.40	–	4.0
29⅝	20¼	Dun & Bradstreet $1	25	+	$2.16	–	4.9
40	24¼	Eaton Corpn 50c	36	–	$2.20	–	–
8½	5¼	Echlin Inc.	7⅝		70c	–	5.4
20½	14	FPL Group 1c	18	–	$2.40	–	7.5
30	17	Fluor Corp 62½c	25½	–	32c	–	0.7
23¼	13¼	Ford Motor $1	17	+	$1.60	–	3.4
40	28	Gen. Elect. 6¼c	40	–	$2.04	–	3.0

CANADIANS

For Varity see Americans

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT–Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS–Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC–Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES–Contd

Australians

Tins

Miscellaneous

NOTES

... official estimates for 1990. L Estimated annualised dividend cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1		640	......
Finlay Pkg 5p		28	......
Holt (Jos) 25p		1975	......
Helton Hldgs.		45xd	+2
IRG		136	......
United Drug		180	+2

IRISH

Cap. 8½% Ln. 2010	£94½	......
9pc Cap Ln 1996	£98½	......
Fin. 13% 97/02	£114	......
Arnotts	180	....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit. Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	88
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	68
Vickers	19
Wellcome	48

Property

Property	p
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Oils	p
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Mines	p
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	138.1	138.1xd	146.9	-1.7	3.89
Gilt & Fxd Int	5	149.8	149.8	157.6	.....	7.99
Intl Growth	5¼	144.2	144.2	153.4	-1.3	0.45
North American	5¼	96.70	96.70xd	102.9	-2.1	0.34
Far East	5¼	112.8	112.8	120.0	-1.1	0.52
UK Smaller Cos	5¼	104.1	104.1	110.7	-0.7	3.03
European	5¼	53.27	53.27	56.82	-0.09	0.94
Japanese Growth	5¼	34.92	34.92	37.41	-0.36	0.00
Managed P'folio	5¼	49.81	50.21	53.42	-0.29	1.31
High Income	5¼	156.6	158.3	168.4	-0.2	5.56
High Yielding Gilt	5¼	61.61	61.61xd	64.87	+0.01	10.27
Cash		51.81	51.81	51.81	+0.01	9.08

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	120.38	120.38	127.92	-0.73	2.60
Exempt Smllr Cos	3¼	239.34	239.34	258.62	+1.11	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 — 379 — 0444.

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[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	109.2	114.9	-0.3	-
Pension Managed Fd	109.1	114.9	-0.4	-
Life Deposit Fd	109.3	115.0		-
Pension Deposit Fd	115.3	121.3		-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	116	122.2	-0.5	-
Managed Growth	141.2	148.7	-0.8	-
Managed Opportunity	141.1	148.6	-1	-
NFMC Target Financial	106	111.6	-0.4	-
Pension Funds				
Managed Cautionary	126.5	133.2	-0.3	-
Managed Growth	149.6	157.5	-0.8	-
Managed Opportunity	141.4	148.9	-0.9	-
NFMC Target Mngd Pens	1571.2	1653.9	-5.8	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	168.7	177.6		-
UK Equity	181.0	190.6		-
Overseas Equity	135.3	142.5		-
Fixed Interest	150.9	158.9		-
Property	135.0	142.2		-
Index Linked	149.6	157.5		-
Deposit	160.7	169.2		-
With Profits (B)	131.6	138.5		-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	361.3	380.4	-1.0	-
UK Equity	462.8	487.2	-1.1	-
Overseas Eq	347.2	365.5	-1.8	-

[illegible]

Providence Capital Life Asse. Co Ltd
2 Bartley Way, Hook Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	237.3	250.4	-0.9	-
UK Fixed Int Acc	184.0	194.1	+0.8	-
Intl Equities Acc	176.3	186.0	-2.0	-
UK Managed Acc	178.9	188.7	-0.4	-
Property Acc	224.2	236.6		-
Money Acc	131.3	138.6		-
Special Market Acc	147.9	156.1	-0.7	-
Japan Equity Acc	97.0	102.4	-1.1	-
North American Acc	105.7	111.5	-0.9	-
Pacific Acc	92.2	97.3	-0.9	-
Technology Acc	122.1	128.9	-2.0	-
Nat Resources Acc	54.0	57.0	-0.2	-
European Acc	102.2	107.9	-0.3	-
Residential Prop Acc	96.5	101.8		-
Swiss Equities Acc	33.9	35.8		-
Hong Kong Acc	66.8	70.5		-
UK High Inc Eq Acc	77.3	81.6	-0.2	-
Int Fixed Interest Acc	59.0	62.3	+0.1	-
Int Managed Acc	56.8	59.9	-0.3	-
HIP Managed Acc	120.1	126.6	-0.7	-
HIP Managed II Acc	103.8	109.4	-0.5	-
HIP Managed III Acc	110.7	116.7	-0.4	-
Total Investment Bond				
UK Equity Initial		161.3	-0.6	-
UK Fixed Int Initial		125.2	+0.5	-
Intl Equities Initial		119.1	-1.2	-
UK Managed Initial		121.7	-0.4	-
Property Initial		153.7		-
Money Initial		89.8		-
Special Market Initial		114.8	-0.5	-
Japan Equity Initial		75.3	-0.8	-
North American Initial		82.0	-0.6	-
Pacific Initial		71.5	-0.7	-
Technology Initial		94.8	-1.5	-
Nat Resources Initial		41.9	-0.1	-
European Initial		91.6	-0.3	-
Residential Prop Init		92.1		-
Swiss Equities Initial		32.4		-

[illegible]

Eurolife Assurance Group
Eurolife Hse, 16 St John St, EC1M 4AY 071-454 1151

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Currency Fd		188.2		-
Intl Currency Fd		180.1		-
Discretionary Fund		127.3		-

Finexco International Ltd
PO Box 193, St Peter Port, Guernsey 0481 713100

[illegible]

Independent Financial Group PLC
Hornbeam Park, Harrogate, HG2 8QT 0423 873636

[illegible]

Lion World Fixed Income Fund
Albert Hse, Sth Esplanade, St Peter Port 0481 713996

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St. Peter Port, Gsy 0481 724983

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound little moved

THE DOLLAR finished little changed in London foreign exchange trading yesterday, while maintaining a soft undertone. It fell to a low of DM1.6875, but rallied after climbing back through DM1.6900 in a technical reaction to the selling seen on Monday and last Friday.

In the second quarter of the year the US current account surplus narrowed to $2.97bn from a revised $10.50bn in the first quarter, but this was widely expected. A high figure for the first quarter was largely the result of payments from allies to defray US costs in the Gulf war. Payments fell during the second quarter, but the figures showed the first consecutive quarterly surpluses since 1982.

This data was not expected to produce any fundamental movement in the dollar however, with the market waiting to see whether this week's inflation news encourages the Federal Reserve to ease its monetary policy. US producer prices for August will be published tomorrow, followed by consumer prices on Friday.

As expected the Fed added reserves to the New York banking system yesterday, via $2.5bn of customer repurchase agreements, but this was a technical move and did not signal an easing of policy.

At the London close the dollar eased to DM1.6945 from DM1.6955; to Y134.80 from Y134.90; to SFr1.4800 from SFr1.4890; and to FFr5.7600 from FFr5.7650. Its index fell to 65.3 from 65.4.

Sterling showed little overall movement, but looked vulnerable to political and interest rate factors. Dealers pointed out that another cut of ½ point in UK bank base rates would bring levels down to not far above equivalent German rates.

This may be acceptable in the event of an early UK general election, if it increases the lead of the ruling Conservative party in opinion polls. But if there is not an election until next year the market is likely to grow increasingly nervous about the political risk in holding sterling at a time when there is little interest rate premium.

Wholesale interest rates were firmer in London yesterday despite good UK producer prices. A fall of 1.6 per cent in August input prices was much bigger than the expected drop of about 0.3 per cent, while output prices rose a modest 0.1 per cent. Friday's retail price index for August is also expected to show a significant improvement in the inflation picture.

Sterling finished unchanged at $1.7300 and DM2.9325, but fell to FFr9.9650 from FFr9.9725; to SFr2.5600 from SFr2.5750; and to Y233.25 from Y233.50. The pound's index lost 0.2 to 91.3.

In the European exchange rate mechanism sterling fell to third from fourth weakest currency and was only 0.98 per cent above the lowest placed French franc, compared with 1.22 per cent on Monday. The D-Mark finished in the middle of the ERM, after moving up to third strongest in late trading on Monday.

£ IN NEW YORK

Sep 10	Latest	Previous Close
£ Spot	1.7305 - 1.7315	1.7315 - 1.7325
1 month	0.75 - 0.73cm	0.66 - 0.66pm
3 months	1.94 - 1.91pm	1.88 - 1.85pm
12 months	6.58 - 6.48pm	6.36 - 6.26pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 10	Previous
8.30 am	91.4	91.4
9.00 am	91.4	91.4
10.00 am	91.4	91.5
11.00 am	91.5	91.5
Noon	91.5	91.5
1.00 pm	91.5	91.5
2.00 pm	91.4	91.6
3.00 pm	91.4	91.6
4.00 pm	91.3	91.5

CURRENCY MOVEMENTS

Sep 10	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.3	-20.7
U.S. Dollar	65.3	-13.8
Canadian Dollar	105.9	+11.6
Austrian Schilling	109.1	+6.6
Belgian Franc	110.5	-2.5
Danish Krone	108.2	+2.9
D-Mark	117.1	+23.9
Swiss Franc	109.3	+17.3
Dutch Guilder	113.4	+15.9
French Franc	102.3	-13.5
Lira	95.1	-15.9
Yen	138.3	+70.5

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100). *Rates are for Sep.9

CURRENCY RATES

Sep 10	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.783237	0.698462
U.S. Dollar	5.50	1.35030	1.21138
Canadian $	8.78	1.53799	1.38173
Austrian Sch.	7.50	16.2198	14.4353
Belgian Franc	8.00	47.4732	42.2717
Danish Krone	9.50	8.90590	7.92234
D-Mark	7.50	2.30618	2.05139
Dutch Guilder	8.00	2.59595	2.31120
French Franc	9.50	7.84497	6.97833
Italian Lira	11.5	1723.62	1534.78
Japanese Yen	5.50	182.093	163.415
Norway Krone	8	9.01055	8.02499
Spanish Peseta	-	143.945	128.478
Swedish Krona	10.00	8.37051	7.45761
Swiss Franc	7.00	2.00342	1.79714
Greek Drach.	19	N/A	227.400
Irish Punt	-	0.880194	0.767613

* Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculation. * All SDR rates are for Sep 9

OTHER CURRENCIES

Sep 10	£	$
Argentina	17102.5 - 17119.5	9900.00 - 9910.00
Australia	2.1905 - 2.1925	1.2675 - 1.2685
Brazil	712.210 - 713.150	412.400 - 412.700
Finland	7.1300 - 7.1515	4.1200 - 4.1300
Greece	322.050 - 328.500	188.730 - 189.450
Hong Kong	13.4100 - 13.4230	7.7460 - 7.7480
Iran	116.00*	68.00*
Korea(Sth)	1275.65 - 1296.20	737.40 - 746.20
Kuwait	0.49200 - 0.49350	0.29070 - 0.29080
Luxembourg	60.50 - 60.60	34.95 - 35.05
Malaysia	4.7595 - 4.7675	2.7530 - 2.7550
Mexico	5263.90 - 5268.70	3048.00 - 3049.00
N Zealand	2.9860 - 2.9680	1.7160 - 1.7180
Saudi Ar.	6.4690 - 6.5455	3.7500 - 3.7510
Singapore	2.9415 - 2.9485	1.7015 - 1.7035
S Af (Cm)	4.9050 - 4.9165	2.8400 - 2.8420
S Af (Fn)	5.4700 - 5.5580	3.1645 - 3.2155
Taiwan	45.70 - 45.80	26.45 - 26.50
U.A.E.	6.3335 - 6.4105	3.6715 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.478	-3.86	5.27	67
Belgian Franc	42.4032	42.2717	-0.31	1.52	20
Dutch Guilder	2.31643	2.31120	-0.23	1.44	16
Italian Lira	1538.24	1534.78	-0.22	1.44	16
D-Mark	2.05586	2.05139	-0.22	1.43	20
Irish Punt	0.767417	0.767613	0.03	1.18	3
Sterling	0.696904	0.698462	0.22	0.98	-5
Danish Krone	7.84195	7.92234	1.03	0.18	-42
French Franc	6.89509	6.97833	1.21	0.00	-61

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7280 - 1.7350	1.7295 - 1.7305	0.76-0.74cpm	5.20	1.94-1.91pm	4.45
Canada	1.9690 - 1.9775	1.9705 - 1.9715	0.37-0.31cpm	2.07	0.63-0.53pm	1.18
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.56-3.51pm. 12 Month 6.57-6.47pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7280 - 1.7350	1.7295 - 1.7305	0.76-0.74cpm	5.20	1.94-1.91pm	4.45

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10⅜	10½ - 10⅜	10½ - 10⅜	10¼ - 10⅛	10⅛ - 10	10⅛ - 10
US Dollar	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5¾ - 5⅝	6 - 5⅞
Can. Dollar	8⅝ - 8½	8⅝ - 8½	8¼ - 8	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½
Dutch Guilder	9⅜ - 8⅞	9⅜ - 8⅞	9¼ - 9⅛	9⅛ - 9¼	9⅝ - 9⅜	9⅞ - 9¾
Swiss Franc	8¼ - 8	8¼ - 8	8⅜ - 8⅛	8⅛ - 8	8⅛ - 7⅞	7⅞ - 7⅞
D-Mark	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9¼ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜
Italian Lira	12 - 10	10½ - 9½	11 - 10½	11⅜ - 10⅞	11⅜ - 11⅛	11⅜ - 11⅛
Belgian Franc	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼	9¼ - 9⅛
Yen	6⅞ - 6⅝	6⅞ - 6⅝	7⅛ - 7	6⅞ - 6¾	6⅝ - 6½	6⅝ - 6½
Danish Krone	9⅝ - 9⅜	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Asian $Sing	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	6½ - 6⅜

Long term Eurodollars: two years 6⅜-6¼ per cent; three years 7⅛-7 per cent; four years 7⅜-7¼ per cent; five years 7⅝-7½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.10	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.730	2.932	233.2	9.965	2.560	3.302	2194	1.971	60.55	1.430
$	0.578	1	1.695	134.8	5.760	1.480	1.909	1268	1.139	35.00	0.827
DM	0.341	0.590	1	79.54	3.399	0.873	1.126	748.3	0.672	20.65	0.488
YEN	4.288	7.419	12.57	1000.	42.73	10.98	14.16	9408	8.452	259.6	6.132
F Fr.	1.004	1.736	2.942	234.0	10.	2.569	3.314	2202	1.978	60.76	1.435
S Fr.	0.391	0.676	1.145	91.09	3.893	1	1.290	857.0	0.770	23.65	0.559
H Fl.	0.303	0.524	0.888	70.62	3.018	0.775	1	664.4	0.597	18.34	0.433
Lira	0.456	0.789	1.336	106.3	4.542	1.167	1.505	1000.	0.898	27.60	0.652
C$	0.507	0.878	1.488	118.3	5.056	1.299	1.675	1113	1	30.72	0.726
B Fr.	1.652	2.857	4.842	385.1	16.46	4.228	5.453	3623	3.255	100.	2.362
ECU	0.699	1.210	2.050	163.1	6.969	1.790	2.309	1534	1.378	42.34	1

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% [illegible]

LIFFE EURODOLLAR OPTIONS US$1m points of 100% [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PARIS [illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7300	1.7225	1.7108	1.6947	1.6648

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Sep	1.7256	1.7256	1.7270	1.7328
Dec	1.7112	1.7170	1.7096	1.7146
Mar	1.6978	1.6978	1.6978	1.6986

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Co-operative Bank	10.5	McDonnell Douglas Bk	10.5
Allied Trust Bank	10.5	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11.5
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	11.5
Bank of Cyprus	10.5	First National Bank Plc	11	Royal Bk of Scotland	10.5
Bank of India	11	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Robert Fraser & Ptnrs	11	Standard Chartered	10.5
Banque Belge Ltd	11	Girobank	10.5	TSB	10.5
Barclays Bank	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Benchmark Bank	11	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Heritable & Gen Inv Bnk	10.5	Western Trust	10.5
CL Bank Nederland	10.5	● Hill Samuel	10.5	Westpac Bank Corp	10.5
Citibank NA	11	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
		Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

MONEY MARKETS

London rates firmer

THERE WAS a slight firming of wholesale interest rates in London yesterday as sterling traded nervously against the D-Mark and speculation faded about a UK general election in November.

A surprisingly large fall in August UK producer prices encouraged hopes of another cut in bank base rates, but had little impact on wholesale rates.

Three-month sterling interbank rose to 10¼-10⅛ from 10$\frac{3}{16}$-10$\frac{1}{16}$ per cent and 12-month money was quoted at 10⅛-10 compared with 10$\frac{1}{16}$-10 per cent.

Short sterling futures opened weaker on Liffe, but finished towards the top of the day's range, supported by the producer price index. December delivery rose to 90.27 from 90.25 in quieter trading than of late.

Day-to-day credit remained in fairly short supply on the London money market. The Bank of England initially forecast a shortage of £950m, but revised this to £1,000m at noon and back to £950m in the afternoon. Total help of £937m was provided.

Before lunch the authorities bought £191m bills outright, by way of £71m bank bills in band 1 at 10⅜ per cent and £120m bank bills in band 2 at 10⅜ per cent. In the afternoon another £626m bills were purchased outright, via £4m Treasury bills in band 1 at 10⅜ per cent; £457m bank bills in band 1 at 10⅜ per cent; and £165m bank bills in band 2 at 10⅜ per cent. Late assistance of around £120m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £149m, with the unwinding of repurchase agreements on bills absorbing £1,041m. These outweighed exchequer transactions adding £100m to liquidity, a fall in the note circulation of £135m and bank balances above target of £15m.

In Frankfurt call money was unchanged at 9.10 per cent ahead of the result of this week's securities repurchase agreement tender. The Bundesbank offered 28-day funds at variable bid rates to replace a 35-day facility worth DM25.0bn expiring today. Credit conditions are expected to tighten soon as seasonal tax payments draw liquidity out of the banking system.

In Amsterdam the Dutch Central Bank added a net Fl 12m at a tender for six-day special advances. The central bank allocated Fl 3.60bn, at an unchanged 9.00 per cent, to replace an expiring seven-day pact of Fl 3.48bn.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.10) 3 months US dollars		6 months US Dollars	
bid 5½	offer 5⅝	bid 5⅝	offer 5¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK [illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

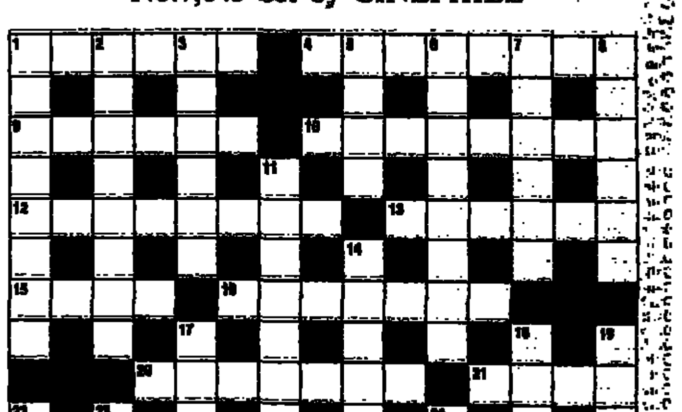
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,643 Set by CINEPHILE



Across solutions are in, not far away (15 is part of one)

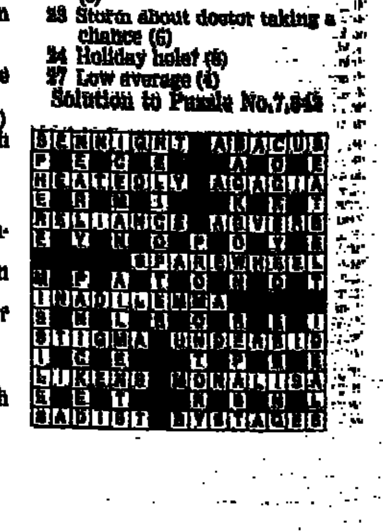
ACROSS

1 Golden sovereign gets money back (6)
4 Fools, we hear (8)
9 Love aiming paying passengers (6)
10 Unpleasant sister in fallow (8)
12 Shops for ever (8)
13 Hairs twisted round River Tweed (6)
15 Painter on pole (4)
16 Cinephile comes down to earth again (7)
20 Common mistake about some rituals (7)
21 Just a beautiful blonde? (4)
25 Scots nobleman at junction (6)
26 Marshal following tree (8)
28 Complement of female grooms? (8)
29 The cow that's a jumper? (6)
30 Pony from Athens with small load (8)
31 What isn't sea ... (6)

DOWN

1 Refuse to include first century one as correct (8)
2 ASSR makes take with rain (8)
3 Players retire from river with 'bros and 'bunds (8)
5 Hard-hitting group (4)
6 French girl gets cross (6)
7 Fill space in this month with sovereign (6)
8 Most artful of various styles (8)
11 Hurried up at speed to give account (7)
14 Small company yells madly – is that the way to be guarded? (7)
17 Radiotelephony having outside antenna with plenty of branches (9)
18 Girl in goal raised by compound with milk (8)
19 Note solvers twice in red with watchers between black and white (4-4)
22 Draws, and so on, for many (6)
23 Storm about doctor taking a chance (6)
24 Holiday hotel (5)
27 Low average (4)

Solution to Puzzle No.7,642



WORLD STOCK MARKETS

CANADA

TORONTO

2:15 pm prices September 10

MONTREAL

2:15 pm prices September 10

Total Sales 7,717,600 shares

INDICES

NEW YORK

DOW JONES	Sep 9	Sep 6	Sep 5	Sep 4	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3007.16	3011.63	3008.50	3008.50	3056.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.25	96.18	96.13	96.12	96.29 (29/8)	91.30 (16/1)	96.29 (29/8/91)	54.99 (1/10/81)
Transport	1172.60	1174.72	1183.00	1190.06	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.69	206.25	206.50	207.25	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3025.49 (3033.32) Low 2987.70 (2987.45)

STANDARD AND POOR'S	Sep 9	Sep 6	Sep 5	Sep 4	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	388.57	389.10	389.14	389.97	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	461.21	462.08	462.31	463.46	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.58	31.57	31.42	31.49	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.14	213.51	213.47	213.95	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	369.06	369.70	369.36	369.99	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	518.07	516.94	516.93	517.92	526.39 (29/8)	355.75 (14/1)	526.39 (29/8/91)	54.87 (31/10/72)

	Sep 6	Aug 30	Aug 23	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.01	3.01	3.86

	Sep 4	Aug 28	Aug 21	year ago (approx.)
S & P Industrial div. yield	2.70	2.63	2.69	3.24
S & P Indl. P/E ratio	21.33	21.71	21.35	15.47

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Salomon Inc	2,128,200	24¼	+ ¼
Limited Inc	2,059,400	24⅛	- ⅛
Pepsico	1,998,400	29⅞	+ ⅛
Amer T & T	1,621,700	38⅛	- ⅛
MFS Intermed	1,600,900	7⅞	.....
Philip Morris	1,390,100	73⅝	+ ⅛
Baxter Int	1,330,900	33½	- 1¼
IBM	1,176,700	101	+ 1⅝
Telefonos	1,152,700	37¼	+ ⅛
West Elec	1,148,700	22⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Sep 9	Sep 6	Sep 5
New York SE	109.250	166.410	162.250
Amex	10.398	11.924	11.298
NASDAQ	105.845	149.328	167.422
NYSE			
Issues Traded	2,078	2,080	2,070
Rises	730	759	694
Falls	792	793	849
Unchanged	556	528	527
New Highs	47	74	35
New Lows	9	9	12

CANADA

TORONTO	Sep 9	Sep 6	Sep 5	Sep 4	1991 HIGH	1991 LOW
Metals & Minerals	3008.09	3026.10	3034.07	3022.42	3299.99 (18/7)	2632.06 (9/1)
Composite	3478.96	3488.30	3485.50	3486.80	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1848.02	1851.13	1851.51	1849.57	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep 10	Sep 9	Sep 6	Sep 5	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1558.1	1564.6	1571.8	1571.7	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	659.9	663.9	667.4	665.9	787.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	481.78	475.50	480.13	480.45	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1123.46	1130.22	1135.29	1140.05	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.70	370.63	371.53	372.13	388.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	936.3	935.3	941.6	946.8	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	488.95	490.56	492.33	488.88	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1840.47	1855.88	1860.39	1868.67	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	673.48	678.37	683.00	681.57	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1997.90	1911.10	1926.1	1923.5	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1629.12	1633.06	1648.18	1647.17	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3959.27	3940.54	3970.91	3990.16	4079.01 (14/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1456.93	1451.92	1451.52	1453.97	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	545.69	549.39	553.55	555.29	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22411.58	22573.98	22692.60	22499.65	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1748.84	1758.58	1763.36	1749.39	2028.85 (18/3)	1625.08 (17/1)
2nd Section (4/1/68)	2747.82	2757.79	2750.99	2742.14	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	552.60	559.16	557.92	562.50	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen. (End 1983)	280.4	281.3	282.1	283.0	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	198.9	199.5	200.5	201.1	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	760.63	768.66	771.54	774.31	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	946.61	958.75	1003.22	1014.44	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	388.12	388.47	387.73	388.27	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1192.0	1184.0	1164.0	1154.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4237.0	4198.0	4190.0	4143.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	688.69	689.25	674.94	674.82	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	270.60	272.30	273.55	274.35	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen (1/2/37)	1074.10	1063.80	1062.10	1065.0	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	755.5	(c)	762.63	764.2	769.2 (29/8)	598.4 (14/1)
SBC General (1/4/87)	623.6	(c)	627.5	629.0	638.0 (31/5)	487.1 (14/1)
TAIWAN*						
Weighted Price (30/6/66)	4722.08	4707.80	4624.83	4499.50	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	729.82	734.07	728.51	723.06	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) (S)	505.3	506.9	504.5	504.1	529.2 (17/4)	439.1 (16/1)

*Saturday September 7: Taiwan Weighted Price: 4709.50 Korea Comp Ex. 681.90.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 26 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 10 September 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Seika	12.8m	974	+45	Sanyo-Kosaku	5.0m	568	+14
Asahi Chemical	9.2m	773	+43	NKK	4.9m	405	+5
Cosmo Oil	6.3m	830	+8	Nippon Carbon	4.3m	1,470	0
Ishikawajima	6.0m	869	+10	Fuji Bank	4.3m	2,430	-30
Nippon Kayaku	5.9m	891	+18	Toyo Tire	4.2m	752	+34

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

2:30 pm prices September 10

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	18	163	15⅝	14⅞	15	-⅝
18⅜	14½	A L Labs A	0.16	0.01	17	228	15¾	15⅝	15⅝	-⅛
55⅜	40⅞	AMP Inc	1.44	0.03	20	488	53⅛	52½	52⅝	-⅝
68⅝	44¼	AMR				102469	56⅞	55¼	56	-⅝
2⅜	1	ARX			1	60	1¼	1⅛	1⅛	
56	41½	ASA	3.50	0.07	73	518	47¼	46¾	46¾	
55¾	39¼	Abbott Lab	1.00	0.02	22	3253	54⅛	53⅝	53⅞	-½
14⅝	9⅞	Abitibi Pr	0.50	0.03	26	23	14½	14⅜	14⅜	
11⅝	10⅛	ACM Gvt In x	1.26	0.11		422	11⅜	11⅛	11¼	
9¾	8⅜	ACM GvOpp x	1.01	0.11		37	9½	9⅜	9½	
9¾	8¼	ACM Gvt Sp x	1.01	0.11		143	u9¾	9⅝	9¾	+⅛
11	9⅞	ACM Gvt Se	1.26	0.12		249	10¾	10⅝	10¾	
8⅝	7⅝	ACM Man x	1.01	0.12		515	8½	8¼	8¼	-¼
12⅞	11½	ACM Managd x	1.35	0.11		102	12¼	12⅛	12⅛	-¼
7½	4¾	Acme Cleve	0.40	0.06	17	150	6½	6⅜	6½	
6	3⅜	Acme Elect			2	10	4⅝	4¼	4⅝	
40	22¾	Acuson			22	408	33⅛	32	32⅛	-1¼
19⅛	14¼	Adams Expr	0.73	0.04	0	60	18⅞	18¾	18¾	
20⅛	17½	Adobe12Pf	2.40	0.13		37	19⅜	18⅜	18¼	-⅜
9¼	6⅝	Adobe Res			47	107	7⅛	7	7⅛	-⅛
39⅛	18	Ad Micro				9	35	35	35	
14¾	4⅝	Ad Micro P	3.00	0.26	19	1692	11⅞	11⅝	11⅝	-⅜
5⅛	2¼	Advest Grp	0.18	0.05	4	154	3¼	3⅛	3⅛	-⅛
49⅛	33⅜	Aetna Lf	2.76	0.08	7	1581	34⅜	34⅛	34¼	-⅜
10⅝	6⅝	Affil A	0.24	0.03	46	243	8¾	8⅜	8⅜	-¼
20⅞	12	Ahmanson	0.88	0.05	10	830	18	17⅝	17⅝	-⅜
13⅛	2⅞	Aileen Inc			10	108	11⅛	10⅝	10⅝	-½
74⅛	51⅛	Air Pr Chm	1.58	0.02	14	159	67	66⅛	66⅞	-⅜
30	18⅝	Airbrne Frt	0.30	0.01	18	624	28¼	28	28¼	
18⅞	12½	Airgas Inc			100	105	18	18	18	
15¼	10	Airlease	2.06	0.18	6	45	11¾	11¾	11¾	-⅛
96½	88¼	AlaPw8.16 x	8.16	0.08		5	93½	93½	96	+2½
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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
60⅛	35¼	Xerox x	3.00	0.05	10	517	58⅛	57⅝	57¾	-⅜
51½	43¼	Xerox4 125 x				73	u51½	51⅛	51½	
21½	14⅛	Xtra 1.94				4	21	20⅞	20⅞	-¼
24⅞	14¼	Xtra Corp	0.72	0.03	77	24	23½	23⅛	23⅜	+⅛
24¼	21¾	Yankee Egy x	1.60	0.07	11	109	23½	23⅜	23⅜	-⅛
1½	⅝	Zapata			3	35	⅞	⅞	⅞	
9⅛	5½	ZenithElec			1	115	5¾	5¼	5¼	-⅛
18½	12	Zenith Nat x	1.00	0.06	97	14	16¾	16¼	16⅝	-⅛
6⅞	4½	Zenix Inc	0.84	0.14		200	6	5⅞	6	+⅛
15⅞	10⅞	Zero Corp	0.40	0.03	17	65	14⅝	14½	14⅝	+⅛
41⅜	29½	Zurn Ind x	0.88	0.02	15	61	36⅞	35⅞	35⅝	-¼
13½	10¼	Zweig Fund	1.12	0.09		134	12⅛	12	12⅛	
10¼	8½	Zweig Totl x	0.96	0.10		347	10⅛	10	10	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:30 pm prices September 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	27	11⅛	11¼	11¼	-⅛
Perini		7	3	10⅞	10⅞	11	
Pr HdP x	0.31	12	5	10⅛	10⅛	10	
Phil LD x	0.17	8	641	19¼	18⅞	19	-¼
Pittway A	0.70	9	42	23	22⅝	22¾	
Ply Gem	0.12	159	54	8¼	7⅞	8	-⅛
PresidioA	0.10	2	100	3¾	3⅜	3¼	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Great FdA	0.66	11	638	22⅞	22½	22⅝	-⅛
Glatfltr	1.20	16	123	56⅛	55½	56⅛	+⅜
Goldfield		6	22	⅝	d½	½	
Greenman		24	50	3⅞	3⅞	3⅞	
Greiner	0.20	19	19	16½	15⅞	16½	-¼
GRI Corp		67	10	3½	3⅜	3⅜	
Gulf Cda	0.36	187	4	7⅞	7⅞	7½	
Hasbro	0.24	28	669	25⅛	24⅞	24⅞	-⅛
Health Ch		1	28	1¾	1¾	1½	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Nat Pint		1	56	4⅝	4½	4⅝	-⅛
New Line		26	60	11¾	11½	11¾	+¼
NY Times A x	0.56	63	464	22	21¾	21¾	-⅛
NthCanOil	0.20	32	14	13⅞	13⅝	13⅞	
Numac Oil		43	10	4⅞	4⅞	4⅞	+⅛
NV Ryan		0	71	1⅞	⅞	1⅞	
Odetics A		19	20	4⅝	4½	4⅝	+⅛
Olsten	0.24	34	162	23¼	22¾	22¾	-½
OMI Corp	0.14	13	16	9⅛	9	9	-⅛
Pall Corp	0.44	28	444	38	37⅜	37⅝	-⅝

NASDAQ NATIONAL MARKET

2:45 pm prices September 10

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		37	961	30	29¼	29¼	-⅛
XL Data		32	278	11½	10¾	10¾	-¼
Xoma Corp		9	7549	18¼	16¾	17	-1
Yellow Fr	0.94	16	1415	29⅞	29⅜	29¾	
York Rsch		63	1627	8⅛	7½	7⅝	-⅜
ZionsUtah	1.44	9	11	48¼	48¾	47	

FINANCIAL TIMES

Wednesday September 11 1991

AMERICA

Dow falls below 3,000 as Fed fails to act

Wall Street

SHARE PRICES remained under steady selling pressure yesterday morning as the lack of an interest rate cut by the Federal Reserve and a rise in bond interest rates depressed market sentiment, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was back below the 3,000 mark at 2,987.70, down 19.46 from the opening. The more broadly based Standard & Poor's 500 was also weaker at midsession, down 2.98 at 385.59, while the Nasdaq composite of over-the-counter stocks slipped 3.19 to 514.88. Turnover on the NYSE was 88m shares by 1 pm.

The Dow's fall below 3,000 was an indication of the underlying bearish mood of the market. Many analysts had predicted that the index would stay above 3,000 for the long term, aided by improved economic conditions and recovering corporate profits. However, the economy continues to struggle and company earnings are unlikely to display any significant improvements when the third quarter reporting season opens next month.

Although a cut in interest rates may help sentiment in the short term, there is still a marked absence of buying incentives in the market.

Among individual issues, H J Heinz dropped $2¼ to $38⅞ on turnover of 1m shares in spite of an apparently strong first fiscal quarter showing. The food group's profits of $254.4m during the reporting period, however, owed much to a one-off gain of $221m from the sale of Heinz's Iowa corn milling operation. The underlying picture showed weak sales in the quarter because of reduced unit volume and the negative impact of a strong dollar on overseas earnings.

AT&T slipped $⅜ to $37⅞ after the giant telecommunications group announced that it would be offering new business discounts for international calls.

The ADRs of Beazer, the UK construction group, fell $⅛ to $6¼ on turnover of 1.1m shares on the news that pre-tax profits fell 40 per cent in the current fiscal year.

Among technology stocks Compaq dropped $⅞ to $34⅞ in active trading amid both good and bad news. The sector analyst at Oppenheimer cut his rating on the stock in anticipation of weak earnings in the third quarter, but on the other hand there were reports yesterday that Compaq plans to unveil a new line of personal computers next Monday.

On the over-the-counter market, Microsoft bucked the trend, rising $⅞ to $81¼ after Mr William Gates, the company's chairman, said at a press conference in Brussels that he expected strong growth this year despite the recession in the personal computer industry.

Canada

TORONTO drifted lower at midday, but recovered from the day's lows, as the TSE-300 composite index fell 15.7 to 3,483.8. Declines led advances by 360 to 151 in volume of 11.3m shares valued at C$145.6m.

Dofasco dropped C$⅞ to C$18⅞. The steel company said that it plans to raise C$200m through an issue of units at C$20 each, comprising one common share and one half warrant.

Argentina seizes top slot as index doubles

Antonia Sharpe reviews last month's mixed performance by emerging stock markets

ARGENTINA stood head and shoulders above other emerging stock markets in August, as it was propelled to record highs by foreign and domestic enthusiasm for the government's economic reforms.

According to figures from the International Finance Corporation, part of the World Bank, Argentina jumped 103 per cent in dollar terms last month, producing a rise of 282 per cent so far this year and overtaking Brazil as the best performing market of 1991.

The record-breaking rally has been accompanied by a large rise in turnover, reflecting foreign investment and flight capital returning. Daily turnover reached a record high of $116m in August, compared with average daily turnover of between $3m and $6m last February and just $200,000 six years ago. Average daily turnover this month has settled back to around $30m to $40m.

The stock market has undergone a correction of about 8 per cent in the last week, but analysts believe that this week's landslide victory for the ruling Peronist party in the gubernatorial and mid-term congressional elections will push the market higher again.

Baring Securities director Mr Jeremy Campbell-Lamerton says the government's plan to generate greater income from industry will have a positive long-term effect on the stock market. A reduction in capital gains tax and in corporate tax is expected to coax Argentine companies into giving a truer reflection of their profits, and lead to a closer proximity to US accounting principles.

Furthermore, a prolonged period of accelerated depreciation means that the asset value of many Argentine companies far exceeds the stated balance sheet value. Mr Campbell-Lamerton estimates that many Argentine share prices are trading at only 70 per cent of their book value, suggesting that a further rerating of the stock market is likely.

Last month's worst performer was Indonesia, which fell 14.3 per cent in dollar terms, bringing its drop so far this year to 30.1 per cent. The market was already suffering in July after the government's first shot at privatisation flopped badly. In August, long-suffering investors were confronted by dismal interim results.

Mr David Bates, a director at Asia Equity, notes that several companies listed in the last 12 months have failed to meet their prospectus forecasts.

The main cause of the disappointing half-year figures has been the government's decision to keep interest rates high as part of its quest to eradicate inflation. Furthermore, with interest rates at 23 per cent and inflation around 9 per cent, investors have been selling equities to take advantage of the hefty real returns offered by bank deposits.

In the past year Indonesia has seen its price/earnings multiple tumble from the high teens to single digits. Mr Bates says that, while the market may fall another 4 to 5 per cent in the next few weeks, several companies now look good value, especially those involved with the government's infrastructure programme. But he warns that there are still many aggrieved investors around and it may take time for the large lines of stock to disappear.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: July 31 1991	% Change over month	% Change on Dec '90	Local currency terms: July 31 1991	% Change over month	% Change on Dec '90
Latin America							
Argentina	(29)	944.28	+103.0	+282.1	52,044,856	+102.3	+536.1
Brazil	(67)	100.87	−6.9	+142.0	12,183,349	+5.8	+493.1
Chile	(35)	1,622.85	+7.5	+100.1	4,426.40	+9.0	+109.8
Colombia	(20)	308.27	−1.0	+4.6	1,761.48	+0.9	+30.3
Mexico	(56)	1,293.69	+4.2	+78.6	20,387.54	+4.6	+84.6
Venezuela	(16)	433.50	−2.4	−13.9	3,373.22	−3.0	+1.1
East Asia							
Korea	(77)	336.49	−3.8	−1.8	297.93	−3.8	+0.8
Philippines	(30)	1,360.25	+2.3	+48.4	1,807.01	+0.0	+43.2
Taiwan, China	(70)	612.82	−11.1	−4.3	410.11	−11.8	−5.0
South Asia							
India	(60)	261.38	+7.3	+10.4	544.66	+8.0	+57.7
Indonesia§	(66)	68.16	−14.3	−30.1	74.42	−14.0	−27.4
Malaysia	(62)	139.94	−7.2	+6.0	160.57	−7.3	+9.4
Pakistan	(54)	169.55	−0.4	+37.9	271.65	+0.0	+56.3
Thailand	(43)	292.68	−3.5	−0.8	277.19	−3.4	+0.8
Euro/Mid East							
Greece	(32)	456.00	+6.1	−14.1	685.97	+8.6	+4.0
Jordan	(25)	85.85	−4.4	−5.4	157.05	−3.9	+1.8
Portugal†	(30)	424.84	−1.3	−2.5	405.29	−1.8	+5.8
Turkey‡	(25)	77.33	−4.4	−57.2	463.92	−0.1	−32.9

Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1988=100. †Jan 1986=100. ‡Dec 1986=100.

EUROPE

Weak New York start depresses late-closers

MOST BOURSES eased again yesterday, with sentiment in the late-closers further depressed by an early fall on Wall Street, *writes Our Markets Staff.*

FRANKFURT saw more falls in banks, relative strength in chemicals and another flurry in steels as the DAX index lost another 3.94 to 1,629.12 after a 4.89 decline to 673.48 in the FAZ at midsession. Volume rose from DM3.2bn to DM3.4bn.

Bayernhypo and Bayernverein fell DM5 to DM349 and DM7.50 to DM393. Commerzbank shed another DM3.50 to DM245. Mr Robert Law, banking analyst at Shearson Lehman, thought little of the argument surrounding the quality of Soviet debt, and said that the banks, among the most liquid stocks in the market, were easy to sell in a period of nervous, thin trading.

The big three chemicals rose by a matter of pfennings. In steels, Hoesch put on another DM5.20 to DM310.70 and Klöckner-Werke, talked about last week as a potential marriage partner for Hoesch, ended DM2 higher at DM148.

MILAN failed to get any support from yesterday's delayed settlement of the August account. Investors were concerned that the forthcoming interim results season would be disappointing.

After the close, worries about the economy were heightened by news that the Italian industrial employers' association, Confindustria, had lowered its forecast for gross domestic product growth in 1991 to 0.8 per cent, down from 1 per cent at mid-year and less than half the government forecast.

The Comit index fell 3.80 to 545.69 in turnover of around L70bn after Monday's L53bn. Generali fell L325 to L39,650 ahead of the launch of its giant L1.75 trillion rights issue next week.

PARIS drifted lower as Wall Street weakened in early trading. Turnover remained light after Monday's FFr1.4bn, as the CAC 40 index fell 15.41 to 1,840.47.

In the banking sector, CCF, which gained FFr4.50 on takeover rumours on Monday, closed 70 centimes down at FFr179.30, after rising to a day's high of FFr182 and sinking to a low of FFr178. Volume in the stock was less than half Monday's level, but still relatively heavy at 140,460 shares.

The bourse authorities said that Cassa Risparmio di Torino, the Turin-based savings bank, had raised its stake in CCF voting rights to 5.51 per cent from 4.8 per cent, but CCF said this was not connected with the recent speculative activity.

Bouygues, the construction group, bucked the trend, rising FFr14 to FFr682. Saur Afrique, its subsidiary, has won a 15-year contract to distribute water in the Central African Republic.

Arjomari-Prioux, the paper group, fell FFr85 to FFr2,215 after cautious comments on the second half by the UK's Arjomari Wiggins Appleton.

ZURICH was depressed by Wall Street's lower opening, and the Crédit Suisse index fell 3.5 to 529.7. Industrials were pressured by the weaker dollar; in chemicals, Sandoz bearers dropped SFr60 to SFr2,360 and Roche bearers by SFr130 to SFr7,800.

Bearers in the brewery, Sibra, dropped SFr50 to SFr405. Another brewer, Feldschlösschen said it had taken a substantial stake in Sibra. Feldschlösschen bearers eased SFr30 to SFr3,350.

AMSTERDAM was dragged lower by the weaker dollar and Wall Street. The CBS Tendency index closed at 92.2, down 0.2, in thin trading. Volmac Software put on 80 cents to Fl 18.30 after reporting a 36 per cent drop in first-half net profits. Some analysts had been expecting a loss.

BRUSSELS closed lower in thin trading. The Bel20 index fell 6.76 to 1,133.46.

The steel cord and steel wire producer, Bekaert, fell to BFr9,620 before closing BFr140 lower at BFr9,750 in the wake of Monday's announcement of a sharp fall in first-half profit.

STOCKHOLM reversed an early loss on demand for Volvo and Astra. The Affärsvärlden General index rose 10.3 to 1,074.1 in turnover of SKr336m after Monday's SKr283m. Volvo free Bs rose SKr10 to SKr365 while Astra free Bs added SKr12 to SKr568.

FT-SE Eurotrack 100 - Sep 10

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1111.48	1111.32	1111.04	1112.25	1112.84	1113.83	1112.86	1112.84

Day's High 1114.94 — Day's Low 1110.63

Sep 9	Sep 6	Sep 5	Sep 4	Sep 3
1116.88	1124.68	1126.92	1125.48	1128.91

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei declines on arbitrage-related activity

Tokyo

ARBITRAGE-related activity dominated share price movements yesterday as the *Nikkei* average fell on selling ahead of the September futures settlement this Friday, *writes Emiko Terazono in Tokyo.*

The index ended 162.40 off at 22,411.58, after a high of 22,612.43 and low of 22,355.54. Volume was unchanged at 300m shares as institutional investors held the sidelines.

Declines led rises by 679 to 256 with 184 issues unaltered. The Topix index of all first section stocks lost 9.74 to 1,748.54, but in London the ISE/Nikkei 50 index firmed 2.02 to 1,321.18.

Prices remained volatile as some arbitrageurs unwound their positions against September futures. Market participants have been nervous about this week's settlement, but Miss Betty Wu at SBCI said positions were also being rolled over into December futures.

Profit-taking was seen in interest rate-sensitive stocks, which surged last week on hopes of an imminent discount rate cut. Declines in short-term yields encouraged rallies in the financial markets last week, but the Bank of Japan reiterated yesterday that, while Japan's economy was slowing, it was still strong.

Overnight unsecured call rates rose by 9 basis points to 6.9 per cent. The central bank was seen draining reserves from the money markets on technical factors. Analysts now believe that the Bank of Japan will try to influence money market rates, rather than reduce the discount rate, to implement monetary policy.

Interest rate-sensitive large-capital shares lost ground. Nippon Steel retreated Y5 to Y420.

Pharmaceutical-related issues were stronger as the Japan Cancer Association started its conference. Meiji Seika, the day's most active issue, surged Y45 to Y974 on speculation that it would announce a new antibiotic at the conference. Yakult Honsha, the beverage company, added Y70 at Y2,060 on its new cancer drug, and Nippon Kayaku gained Y18 to Y891.

Dia Kensetsu and Daiwa Construction, the two construction companies which held a joint press conference on Monday to deny bankruptcy rumours, continued to fall. The former shed Y290 to Y1,360 and the latter dropped its daily limit of Y300 to Y820. Traders said the press conference had made market participants more wary.

Nippon Carbon closed unchanged at Y1,470 after hitting a record high of Y1,550. Investors looking for short-term profits have been buying the stock on rumours of speculative interest.

In Osaka, the OSE average dipped 68.79 to 24,901.73 on volume of 65.6m shares.

Ono Pharmaceutical gained Y240 to Y3,760 on afternoon reports that the Ministry of Health and Welfare had authorised the company to sell a new diabetic drug.

Roundup

A QUIET day in the Pacific Rim saw most markets move slightly lower.

AUSTRALIA eased on weak corporate earnings, an appreciating currency, some poor results from Commonwealth Bank and a lifeless US market. The All Ordinaries index lost 6.5 to 1,558.1 in turnover up from A$105m to A$142m.

Commonwealth Bank, which makes its market debut tomorrow, said after the close that net operating profits had fallen by 45 per cent in 1990/91 to A$272m after bad and doubtful debt provisions.

MANILA finished above the day's lows on bargain hunting. The composite index, down 4.4 per cent on Monday, ended 12.14 lower at 946.61 in a session shortened to allow traders to join a demonstration in favour of a pact extending the US military presence in the Phillipines. Turnover shrank to 100m pesos from 143m.

PLDT, the telecommunications company, closed a net 35 pesos down at 527.50 pesos, after reaching a low for the day of 522.50 and high of 530.

HONG KONG rose in cautious trading. The Hang Seng index gained 18.73 to 3,959.27 in turnover of about HK$1.12bn, up from HK$1.06bn.

Jardine Matheson, with interim results due next week, put on 75 cents to HK$32.

TAIWAN fluctuated within a narrow range. The previous day's credit easing by the central bank had been discounted. The weighted index rose 14.36 to 4,722.08 in turnover of T$20bn, down from T$29bn.

KUALA LUMPUR declined in thin trading. The composite index fell 6.56 to 552.60 in volume of 29m shares, down from 40m. Business was also sluggish in SINGAPORE. The Straits Times Industrial index lost 1.54 to 1,419.46. Volume remained steady at 27m shares.

Changes to FT-Actuaries World Indices

THE World Index Panel has decided on the following changes, which will come into effect at the end of the current quarter:

Australia: The partial weighting factor applied to Santos will be removed and the company will be taken at full market capitalisation.

Finland: Delete Fiskars (K Free).

Japan: A weighting factor of one-third will be applied to All Nippon Airways following clarification from the Tokyo Stock Exchange. The company has been taken at full market capitalisation hitherto.

Switzerland: Add Alusuisse-Lonza (registered).

SOUTH AFRICA

A RISING financial rand kept a lid on Johannesburg's gains. The industrial index rose to a new closing high of 4,237, up 39, while the all-gold index gained 8 to 1,192. The all-share index added 18 to 3,458.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	MONDAY SEPTEMBER 9 1991: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 6 1991: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991 High	1991 Low	Year ago (approx)
Australia (69)	150.00	+0.1	128.55	127.91	132.23	126.21	−0.4	4.80	149.85	130.84	128.91	134.89	126.72	151.58	112.74	143.67
Austria (20)	187.44	+2.5	160.63	159.84	165.23	166.00	+0.7	1.71	182.86	159.67	157.32	164.62	164.91	222.37	154.82	224.52
Belgium (47)	130.78	+1.2	112.08	111.51	115.28	113.21	−0.7	5.23	129.26	112.86	111.20	116.36	113.96	151.20	118.04	140.29
Canada (114)	138.59	−0.2	118.77	118.17	122.16	114.30	−0.3	3.32	138.89	121.27	119.49	125.02	114.60	142.27	126.49	129.73
Denmark (37)	255.78	+1.7	219.20	218.12	225.47	228.47	−0.4	1.55	251.59	219.67	216.45	226.48	229.43	270.56	217.74	255.22
Finland (16)	96.91	+1.4	83.05	82.64	85.42	84.42	−0.5	2.85	95.61	83.48	82.26	86.07	84.87	125.15	89.53	118.04
France (109)	140.54	+1.7	120.44	119.83	123.87	127.09	−0.2	3.49	138.13	120.60	118.83	124.33	127.40	152.26	119.11	138.46
Germany (65)	110.74	+1.4	94.91	94.45	97.62	97.62	−0.7	2.30	109.21	95.35	93.96	98.31	98.31	125.35	94.15	120.96
Hong Kong (55)	164.01	−0.7	140.55	139.85	144.57	163.22	−0.8	4.32	165.20	144.25	142.12	148.72	164.55	169.98	119.62	126.35
Ireland (18)	160.02	+2.3	137.14	136.46	141.06	143.12	+0.0	3.50	156.38	136.54	134.53	140.77	143.13	182.46	132.88	145.90
Italy (77)	73.09	+1.1	62.63	62.32	64.42	69.10	−0.9	3.38	72.28	63.10	62.17	65.05	69.73	88.23	64.76	88.34
Japan (474)	128.43	+0.5	110.06	109.51	113.22	109.51	−0.4	0.77	127.76	111.55	109.91	115.02	109.91	146.97	118.23	130.85
Malaysia (68)	207.52	+0.0	177.84	176.95	182.92	221.23	−0.2	2.75	207.59	181.25	178.58	186.86	221.78	247.78	189.18	219.61
Mexico (16)	1204.85	−0.5	1032.55	1027.41	1062.06	4015.86	−0.5	1.37	1210.86	1057.25	1041.71	1090.02	4035.87	1226.13	534.45	515.65
Netherland (31)	142.01	+1.8	121.70	121.10	125.19	123.73	−0.5	4.33	139.53	121.82	120.03	125.60	124.37	145.73	125.70	139.53
New Zealand (14)	47.32	+0.4	40.55	40.35	41.71	43.16	+0.3	7.06	47.14	41.16	40.55	42.43	43.03	54.64	41.18	61.55
Norway (31)	201.67	+1.4	172.83	171.97	177.77	182.03	−0.7	1.55	198.88	173.65	171.10	179.04	183.22	223.24	178.58	265.06
Singapore (36)	199.67	+1.0	171.11	170.26	176.00	156.65	+0.2	2.27	197.65	172.67	170.04	177.92	156.30	208.25	151.63	169.33
South Africa (61)	244.97	+1.0	209.93	208.88	215.93	171.90	+0.3	3.17	242.61	211.83	208.72	218.39	171.35	258.85	173.00	174.45
Spain (53)	154.30	+1.9	132.23	131.58	136.01	123.79	−0.3	4.34	151.38	132.18	130.24	136.27	124.20	171.12	131.51	149.64
Sweden (25)	192.16	+2.3	164.68	163.86	169.39	175.73	+0.2	2.53	187.84	164.01	161.60	169.10	175.32	204.12	146.60	195.58
Switzerland (56)	94.55	+2.3	81.03	80.63	83.36	87.28	+0.0	2.21	92.41	80.69	79.51	83.20	87.28	100.67	82.17	83.10
United Kingdom (240)	184.30	+1.4	157.94	157.14	162.44	157.94	−0.4	4.66	181.71	158.65	156.31	163.56	158.65	187.44	156.27	159.24
USA (527)	157.63	−0.2	135.08	134.42	138.95	157.63	−0.2	3.06	157.92	137.89	135.87	142.17	157.92	161.02	125.95	129.70
Europe (827)	143.21	+1.6	122.73	122.12	126.24	125.08	−0.4	3.82	141.00	123.11	121.30	126.93	125.63	151.52	125.50	138.02
Nordic (109)	188.24	+1.9	161.32	160.52	165.93	163.62	−0.2	1.98	184.77	161.33	158.96	166.33	163.93	200.81	155.55	198.04
Pacific Basin (718)	129.89	+0.5	111.32	110.77	114.50	111.34	−0.4	1.12	129.30	112.89	111.24	116.40	111.75	145.92	117.88	131.03
Euro−Pacific (1545)	135.50	+0.9	116.13	115.54	119.44	117.54	−0.4	2.25	134.27	117.23	115.50	120.86	118.01	147.66	121.29	134.23
North America (641)	156.37	−0.2	134.01	133.36	137.86	154.69	−0.2	3.09	156.67	136.79	134.80	141.06	154.99	159.66	125.91	129.61
Europe Ex. UK (587)	119.03	+1.7	102.01	101.52	104.95	106.28	−0.4	3.16	117.07	102.22	100.74	105.41	106.75	129.80	103.58	124.24
Pacific Ex. Japan (244)	144.43	−0.1	123.78	123.18	127.33	127.66	−0.4	4.29	144.57	126.23	124.40	130.16	128.22	147.60	111.40	132.38
World Ex. US (1736)	137.40	+0.9	117.75	117.18	121.12	118.96	−0.4	2.30	136.21	118.93	117.19	122.62	119.41	148.16	122.32	134.69
World Ex. UK (2023)	139.30	+0.4	119.38	118.79	122.80	128.37	−0.3	2.34	138.79	121.19	119.41	124.96	128.74	145.77	120.06	129.24
World Ex. So. Af. (2202)	142.53	+0.5	122.15	121.55	125.65	130.78	−0.3	2.58	141.86	123.86	122.05	127.71	131.20	148.86	122.92	131.65
World Ex. Japan (1789)	152.39	+0.5	130.59	129.96	134.35	143.06	−0.3	3.40	151.69	132.45	130.51	136.57	143.47	152.83	126.69	133.76
The World Index (2263)	143.20	+0.5	122.72	122.11	126.24	131.14	−0.3	2.59	142.51	124.43	122.61	128.30	131.54	149.01	123.28	131.90

Latest prices were unavailable for this edition. Zurich market closed September 9.